



Mbizana Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Nature of business and principal activities

Mbizana Local Municipality provides the following services:
Electricity
Solid Waste

Mayoral committee

Mayor

T.D. Mafumbatha

Speaker

S. Magini

Chief whip

M.C. Mpetshwa

Executive committee

Z. Mhlwazi

T. Somadlangathi

N. Dlamini

R.T. Nkomo-Khwela

N.N. Mhlembana

L. Makholosa

M.S. Mapetshana

I.M. Sabuka

A.M. Specman

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Councillors

N.E. Cengimbo
P.N. Mfingwana
E. Voko
F.N. Sobazile
N. Sikiti
N. Mgozozana
N. Sikibi
N. Giyama-Bongwana
N. Mavundla
R.N. Madikizela
F. Bewu (Mbuyelwa)
V. Mbhekwa
B. Luwele
J.M. Valikho
N.C. Cengimbo
M. Mbele
L.B. Mbuzi
C.N. Matyeni
Z. Mashiyi
M.S. Msindo
S.M. Faku
Y.N. Mfana
V. Sotubhu
L.G. Mcambalala
M.E. Mapholoba
M. Mpofana
M.Qumba
M.J. Dekede
M.M. Manyathela
N. Bhengu
S.A. Maphasi
N. Dayimani
N. Hlebo
M. Ndovela
M. Tobo
A.I. Guqaza
M.R. Dlamini
B.A. Jalubane
N. Madikizela
T. Faku
L. Nqodi
N.S. Ngonini
N. Cwele
N. Sipatala
S.P. Soboyi
C.N. Mfingwana
N. Langasiki
L. Silangwe
N. Madikizela
M.J. Ndesi

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

| | |
|------------------------------------|---|
| Grading of local authority | 04 |
| Accounting Officer | Mr L. Mahlaka |
| Chief Finance Officer (CFO) | Mr Z.A Zukulu |
| Registered office | 51 Winnie Madikizela-Mandela Street Bizana 4800 |
| Business address | 51 Winnie Madikizela-Mandela Street Bizana 4800 |
| Postal address | P.O. Box 12 Bizana 4800 |
| Bankers | First National Bank |
| Attorneys | NZ Mtshabe Incorporated Attorneys Dr Sugudhav- Sewpersadh Attorneys Magigaba Incorporated Konyana Attorneys Incorporated Vuyani Gwebindlala & Associates Jolwana Mgidlana Incorporated |
| Auditors | Auditor General of South Africa Registered Auditors |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the annual financial statements presented to the municipal council:

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| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| mSCOA | Municipal Standard Chart of Accounts |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on the pages to follow in terms of s126(1) of the MFMA and which I have signed on behalf of the municipality.

I certify that the salaries, benefits and allowances as disclosed in notes 29 and 30 of these financial statements are within the upper limits of the framework envisioned in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and placed considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements, however, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are engaged to express an independent opinion on the municipality's annual financial statements. The annual financial statements set out on pages 6 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019, for submission for audit and were signed on its behalf by:



Mr L. Mahlaka
Municipal Manager

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 9 | 1 271 227 | 449 106 |
| Operating lease asset | 7 | 1 636 755 | 880 913 |
| Other receivables from exchange transactions | 10 | 2 042 079 | 2 318 766 |
| Receivables from non-exchange transactions | 11 | 20 679 711 | 28 677 624 |
| VAT receivable | 12 | 22 146 960 | 27 167 994 |
| Prepayments | 8 | 18 449 866 | 13 656 837 |
| Receivables from exchange transactions | 13 | 15 225 250 | 10 500 596 |
| Cash and cash equivalents | 14 | 123 462 641 | 94 527 941 |
| | | 204 914 489 | 178 179 777 |
| Non-Current Assets | | | |
| Investment property | 3 | 25 097 000 | 6 131 700 |
| Property, plant and equipment | 4 | 654 741 165 | 606 116 024 |
| Intangible assets | 6 | 329 028 | 774 233 |
| Heritage assets | 5 | 1 230 799 | 1 230 799 |
| | | 681 397 992 | 614 252 756 |
| Non-Current Assets | | 681 397 992 | 614 252 756 |
| Current Assets | | 204 914 489 | 178 179 777 |
| Total Assets | | 886 312 481 | 792 432 533 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 17 | 25 762 708 | 39 150 582 |
| Transfers received in advance (non-exchange) | | - | 56 200 |
| Consumer deposits | 18 | 529 234 | 609 559 |
| Unspent conditional grants and receipts | 15 | 6 686 613 | 1 383 647 |
| Provisions | 16 | 19 085 992 | 9 922 489 |
| | | 52 064 547 | 51 122 477 |
| Non-Current Liabilities | | | |
| Provisions | 16 | 3 493 318 | 4 318 896 |
| Non-Current Liabilities | | 3 493 318 | 4 318 896 |
| Current Liabilities | | 52 064 547 | 51 122 477 |
| Total Liabilities | | 55 557 865 | 55 441 373 |
| Assets | | 886 312 481 | 792 432 533 |
| Liabilities | | (55 557 865) | (55 441 373) |
| Net Assets | | 830 754 616 | 736 991 160 |
| Reserves | | | |
| Fair value adjustment assets-available-for-sale reserve | | - | - |
| Accumulated surplus | | 830 754 616 | 736 991 160 |
| Total Net Assets | | 830 754 616 | 736 991 160 |

* See Note 43

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 21 | 35 684 754 | 30 831 422 |
| Rental of facilities and equipment | 25 | 2 223 563 | 655 942 |
| Agency services | 26 | 1 270 965 | 1 150 355 |
| Commissions received | | 114 067 | 114 787 |
| Recoveries | | 284 365 | 7 295 085 |
| Other income | | 963 291 | 755 503 |
| Interest received | 23 | 12 819 533 | 11 142 942 |
| Fair value adjustments | 51 | 19 023 579 | 337 930 |
| Total revenue from exchange transactions | | 72 384 117 | 52 283 966 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 20 | 18 966 665 | 19 596 870 |
| Licences and Permits (Non-exchange) | | 2 256 590 | 2 296 218 |
| Transfer revenue | | | |
| Government grants & subsidies | 22 | 322 420 999 | 313 815 633 |
| Fines, Penalties and Forfeits | 27 | 1 037 884 | 1 646 015 |
| Total revenue from non-exchange transactions | | 344 682 138 | 337 354 736 |
| | | 72 384 117 | 52 283 966 |
| | | 344 682 138 | 337 354 736 |
| Total revenue | 19 | 417 066 255 | 389 638 702 |
| Expenditure | | | |
| Employee related costs | 30 | (107 336 852) | (85 788 414) |
| Remuneration of councillors | 31 | (23 223 492) | (22 484 811) |
| Depreciation and amortisation | 33 | (40 682 006) | (38 970 887) |
| Impairments | 52 | (2 384 829) | - |
| Finance costs | 34 | (65 518) | (834 346) |
| Lease rentals on operating lease | | (3 381 422) | (2 558 538) |
| Debt Impairment | 32 | (4 266 040) | (1 456 031) |
| Bulk purchases | 37 | (30 025 433) | (27 760 875) |
| Contracted services | 53 | (49 076 945) | (63 540 795) |
| Transfers and Subsidies | 36 | (702 066) | (738 095) |
| Loss on disposal of assets and liabilities | 29 | (7 462 689) | (34 074 193) |
| General Expenses | 28 | (54 732 318) | (51 638 959) |
| Total expenditure | | (323 339 610) | (329 845 944) |
| | | - | - |
| Total revenue | | 417 066 255 | 389 638 702 |
| Total expenditure | | (323 339 610) | (329 845 944) |
| Operating surplus/deficit | | - | - |
| Surplus before taxation | | 93 726 645 | 59 792 758 |
| Taxation | | - | - |
| Surplus for the year | | 93 726 645 | 59 792 758 |

* See Note 43

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---------------------|--------------------|
| Opening balance as previously reported | 682 620 586 | 682 620 586 |
| Adjustments | | |
| Prior year adjustments | (5 422 184) | (5 422 184) |
| Balance at 01 July 2017 as restated* | 677 198 402 | 677 198 402 |
| Surplus/(Deficit) for the year | 59 792 758 | 59 792 758 |
| Total changes | 59 792 758 | 59 792 758 |
| Restated balance at 30 June 2018 | 736 991 161 | 736 991 161 |
| Balance at 01 July 2018 as restated* | 736 991 161 | 736 991 161 |
| Credit notes | 36 810 | 36 810 |
| Net income (losses) recognised directly in net assets | 36 810 | 36 810 |
| Surplus/(Deficit) for the year | 93 726 645 | 93 726 645 |
| Total recognised income and expenses for the year | 93 763 455 | 93 763 455 |
| Total changes | 93 763 455 | 93 763 455 |
| Balance at 30 June 2019 | 830 754 616 | 830 754 616 |

Note(s)

* See Note 43

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 70 617 282 | 48 507 011 |
| Grants | | 327 667 765 | 313 720 522 |
| Interest income | | 12 819 533 | 11 142 942 |
| | | <u>411 104 580</u> | <u>373 370 475</u> |
| Payments | | | |
| Employee costs | | (130 560 344) | (108 273 225) |
| Suppliers | | (152 892 843) | (145 464 111) |
| Finance costs | | (65 518) | (834 346) |
| | | <u>(283 518 705)</u> | <u>(254 571 682)</u> |
| Total receipts | | 411 104 580 | 373 370 475 |
| Total payments | | (283 518 705) | (254 571 682) |
| Net cash flows from operating activities | 38 | <u>127 585 875</u> | <u>118 798 793</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (98 747 336) | (75 808 465) |
| Proceeds from sale of property, plant and equipment | 4 | 96 161 | 785 270 |
| Net cash flows from investing activities | | <u>(98 651 175)</u> | <u>(75 023 195)</u> |
| Cash flows from financing activities | | | |
| Repayment of DBSA loan | | - | (16 273 890) |
| Net cash flows from financing activities | | <u>-</u> | <u>(16 273 890)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 28 934 700 | 27 501 708 |
| Cash and cash equivalents at the beginning of the year | | 94 527 941 | 67 026 233 |
| Cash and cash equivalents at the end of the year | 14 | <u>123 462 641</u> | <u>94 527 941</u> |

* See Note 43

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-------------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 37 441 434 | 2 000 000 | 39 441 434 | 35 684 754 | (3 756 680) | Appendix E1 |
| Rental of facilities and equipment | 903 407 | - | 903 407 | 2 223 563 | 1 320 156 | Appendix E1 |
| Agency services | 1 233 333 | - | 1 233 333 | 1 270 965 | 37 632 | |
| Commissions received | 332 642 | - | 332 642 | 114 067 | (218 575) | |
| Recoveries | - | - | - | 284 365 | 284 365 | |
| Other income - (rollup) | 1 672 236 | 20 000 | 1 692 236 | 963 291 | (728 945) | |
| Interest received | 11 947 580 | 1 200 000 | 13 147 580 | 12 819 533 | (328 047) | Appendix E1 |
| Total revenue from exchange transactions | 53 530 632 | 3 220 000 | 56 750 632 | 53 360 538 | (3 390 094) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 23 570 591 | - | 23 570 591 | 18 966 665 | (4 603 926) | Appendix E1 |
| Licences and Permits (Non-exchange) | 2 293 855 | - | 2 293 855 | 2 256 590 | (37 265) | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 235 075 000 | 1 271 614 | 236 346 614 | 236 521 579 | 174 965 | Appendix E1 |
| Fines, Penalties and Forfeits | 2 030 819 | - | 2 030 819 | 1 037 884 | (992 935) | Appendix E1 |
| Total revenue from non-exchange transactions | 262 970 265 | 1 271 614 | 264 241 879 | 258 782 718 | (5 459 161) | |
| 'Total revenue from exchange transactions' | 53 530 632 | 3 220 000 | 56 750 632 | 53 360 538 | (3 390 094) | |
| 'Total revenue from non-exchange transactions' | 262 970 265 | 1 271 614 | 264 241 879 | 258 782 718 | (5 459 161) | |
| Total revenue | 316 500 897 | 4 491 614 | 320 992 511 | 312 143 256 | (8 849 255) | |
| Expenditure | | | | | | |
| Personnel | (108 893 386) | 307 710 | (108 585 676) | (107 336 852) | 1 248 824 | Appendix E1 |
| Remuneration of councillors | (24 090 965) | 502 563 | (23 588 402) | (23 223 492) | 364 910 | Appendix E1 |
| Depreciation and amortisation | (48 449 090) | - | (48 449 090) | (40 682 006) | 7 767 084 | Appendix E1 |
| Impairment loss/ Reversal of impairments | - | - | - | (2 384 829) | (2 384 829) | |
| Finance costs | (400 000) | - | (400 000) | (65 518) | 334 482 | Appendix E1 |
| Lease rentals on operating lease | (2 552 472) | (1 048 600) | (3 601 072) | (3 381 422) | 219 650 | |
| Debt Impairment | (2 100 735) | - | (2 100 735) | (4 266 040) | (2 165 305) | Appendix E1 |
| Bulk purchases | (33 594 401) | - | (33 594 401) | (30 025 433) | 3 568 968 | Appendix E1 |
| Contracted Services | (50 338 396) | (18 120 856) | (68 459 252) | (49 076 945) | 19 382 307 | |
| Transfers and Subsidies | (2 158 034) | 514 000 | (1 644 034) | (702 066) | 941 968 | Appendix E1 |
| Loss on disposal of assets | - | (35 257 999) | (35 257 999) | (7 611 276) | 27 646 723 | |
| General Expenses | (71 392 741) | 114 943 | (71 277 798) | (54 732 318) | 16 545 480 | Appendix E1 |
| Total expenditure | (343 970 220) | (52 988 239) | (396 958 459) | (323 488 197) | 73 470 262 | |
| | 316 500 897 | 4 491 614 | 320 992 511 | 312 143 256 | (8 849 255) | |
| | (343 970 220) | (52 988 239) | (396 958 459) | (323 488 197) | 73 470 262 | |
| Operating deficit | (27 469 323) | (48 496 625) | (75 965 948) | (11 344 941) | 64 621 007 | |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-------------------|---------------------|---------------------|------------------------------------|--|-------------|
| Figures in Rand | | | | | | |
| Transfers recognised-capital contributions | 72 446 000 | 19 580 000 | 92 026 000 | 85 899 420 | (6 126 580) | Appendix E1 |
| Fair value adjustments | - | - | - | 19 023 579 | 19 023 579 | Appendix E1 |
| | 72 446 000 | 19 580 000 | 92 026 000 | 104 922 999 | 12 896 999 | |
| | (27 469 323) | (48 496 625) | (75 965 948) | (11 344 941) | 64 621 007 | |
| | 72 446 000 | 19 580 000 | 92 026 000 | 104 922 999 | 12 896 999 | |
| Surplus before taxation | 44 976 677 | (28 916 625) | 16 060 052 | 93 578 058 | 77 518 006 | |
| Deficit before taxation | 44 976 677 | (28 916 625) | 16 060 052 | 93 578 058 | 77 518 006 | |
| Taxation | - | - | - | - | - | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 44 976 677 | (28 916 625) | 16 060 052 | 93 578 058 | 77 518 006 | |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

Statement of Financial Position

Assets

Current Assets

| | | | | | |
|--|--------------------|-------------------|--------------------|--------------------|-------------------|
| Inventories | 387 363 | - | 387 363 | 1 271 227 | 883 864 |
| Operating lease asset | - | - | - | 1 636 755 | 1 636 755 |
| Other receivables from exchange transactions | 994 352 | - | 994 352 | 1 935 160 | 940 808 |
| Receivables from non-exchange transactions | 29 281 295 | - | 29 281 295 | 20 679 711 | (8 601 584) |
| VAT receivable | - | - | - | 22 146 960 | 22 146 960 |
| Prepayments | - | - | - | 18 449 866 | 18 449 866 |
| Consumer debtors | 28 061 636 | - | 28 061 636 | 15 225 250 | (12 836 386) |
| Cash and cash equivalents | 43 362 102 | 25 852 506 | 69 214 608 | 123 462 641 | 54 248 033 |
| | 102 086 748 | 25 852 506 | 127 939 254 | 204 807 570 | 76 868 316 |

Non-Current Assets

| | | | | | |
|-------------------------------|--------------------|-------------------|--------------------|--------------------|----------------------|
| Investment property | 7 165 478 | - | 7 165 478 | 25 097 000 | 17 931 522 |
| Property, plant and equipment | 748 375 930 | 29 460 247 | 777 836 177 | 654 741 165 | (123 095 012) |
| Intangible assets | 1 852 352 | - | 1 852 352 | 329 028 | (1 523 324) |
| Heritage assets | - | - | - | 1 230 799 | 1 230 799 |
| | 757 393 760 | 29 460 247 | 786 854 007 | 681 397 992 | (105 456 015) |

| | | | | | |
|---------------------|--------------------|-------------------|--------------------|--------------------|---------------------|
| Non-Current Assets | 102 086 748 | 25 852 506 | 127 939 254 | 204 807 570 | 76 868 316 |
| Current Assets | 757 393 760 | 29 460 247 | 786 854 007 | 681 397 992 | (105 456 015) |
| Total Assets | 859 480 508 | 55 312 753 | 914 793 261 | 886 205 562 | (28 587 699) |

Liabilities

Current Liabilities

| | | | | | |
|---|-------------------|----------|-------------------|-------------------|-------------------|
| Payables from exchange transactions | 33 059 970 | - | 33 059 970 | 25 762 708 | (7 297 262) |
| Consumer deposits | 463 403 | - | 463 403 | 529 234 | 65 831 |
| Unspent conditional grants and receipts | - | - | - | 6 686 613 | 6 686 613 |
| Provisions | 2 525 967 | - | 2 525 967 | 19 085 992 | 16 560 025 |
| | 36 049 340 | - | 36 049 340 | 52 064 547 | 16 015 207 |

Non-Current Liabilities

| | | | | | |
|--------------------------|-------------------|----------|-------------------|-------------------|-------------------|
| Provisions | 3 226 902 | - | 3 226 902 | 3 493 318 | 266 416 |
| | 36 049 340 | - | 36 049 340 | 52 064 547 | 16 015 207 |
| | 3 226 902 | - | 3 226 902 | 3 493 318 | 266 416 |
| | - | - | - | - | - |
| Total Liabilities | 39 276 242 | - | 39 276 242 | 55 557 865 | 16 281 623 |

| | | | | | |
|-------------------|--------------------|-------------------|--------------------|--------------------|---------------------|
| Assets | 859 480 508 | 55 312 753 | 914 793 261 | 886 205 562 | (28 587 699) |
| Liabilities | (39 276 242) | - | (39 276 242) | (55 557 865) | (16 281 623) |
| Net Assets | 820 204 266 | 55 312 753 | 875 517 019 | 830 647 697 | (44 869 322) |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

| Budget on Accrual Basis | | | | | | |
|--|--------------------|-------------|--------------------|--|---|-----------|
| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| Figures in Rand | | | | | | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 820 204 266 | 55 312 753 | 875 517 019 | 830 647 697 | (44 869 322) | |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------|--------------|--|---|-----------|
|--|--------------------|-------------|--------------|--|---|-----------|

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

| | | | | | |
|------------------------|--------------------|-------------------|--------------------|--------------------|------------------|
| Ratepayers and other | 69 478 317 | 2 020 000 | 71 498 317 | 70 617 081 | (881 236) |
| Government - operating | 235 075 000 | - | 235 075 000 | 241 768 345 | 6 693 345 |
| Interest income | 11 947 580 | 1 200 000 | 13 147 580 | 12 819 533 | (328 047) |
| Government - capital | 72 446 000 | 19 580 000 | 92 026 000 | 85 899 620 | (6 126 380) |
| | 388 946 897 | 22 800 000 | 411 746 897 | 411 104 579 | (642 318) |

Payments

| | | | | | |
|----------------------|----------------------|---------------------|----------------------|----------------------|-------------------|
| Employee costs | (132 984 351) | 810 273 | (132 174 078) | (130 560 344) | 1 613 734 |
| Suppliers | (157 877 910) | (54 507 464) | (212 385 374) | (152 892 843) | 59 492 531 |
| Finance costs | (400 000) | - | (400 000) | (65 518) | 334 482 |
| Transfers and grants | (2 158 034) | 514 000 | (1 644 034) | - | 1 644 034 |
| | (293 420 295) | (53 183 191) | (346 603 486) | (283 518 705) | 63 084 781 |

| | | | | | |
|---|-------------------|---------------------|-------------------|--------------------|-------------------|
| Total receipts | 388 946 897 | 22 800 000 | 411 746 897 | 411 104 579 | (642 318) |
| Total payments | (293 420 295) | (53 183 191) | (346 603 486) | (283 518 705) | 63 084 781 |
| Net cash flows from operating activities | 95 526 602 | (30 383 191) | 65 143 411 | 127 585 874 | 62 442 463 |

Cash flows from investing activities

| | | | | | |
|---|--------------|--------------|---------------|--------------|------------|
| Purchase of property, plant and equipment | (93 690 598) | (29 460 247) | (123 150 845) | (98 747 336) | 24 403 509 |
| Proceeds from sale of property, plant and equipment | - | - | - | 96 161 | 96 161 |

| | | | | | |
|---|---------------------|---------------------|----------------------|---------------------|-------------------|
| Net cash flows from investing activities | (93 690 598) | (29 460 247) | (123 150 845) | (98 651 175) | 24 499 670 |
|---|---------------------|---------------------|----------------------|---------------------|-------------------|

| | | | | | |
|--|------------|--------------|--------------|------------|------------|
| Net increase/(decrease) in cash and cash equivalents | 1 836 004 | (59 843 438) | (58 007 434) | 28 934 699 | 86 942 133 |
| Cash and cash equivalents at the beginning of the year | 41 525 982 | 53 023 110 | 94 549 092 | 94 527 942 | (21 150) |

| | | | | | |
|---|-------------------|--------------------|-------------------|--------------------|-------------------|
| Cash and cash equivalents at the end of the year | 43 361 986 | (6 820 328) | 36 541 658 | 123 462 641 | 86 920 983 |
|---|-------------------|--------------------|-------------------|--------------------|-------------------|

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments (i.t.o. s31 of the MFMA) | Shifting of funds (i.t.o. MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--|---------------------------------|---|----------------------|----------------------|--------------------------|-------------------|-------------------------------------|--|
| Financial Performance | | | | | | | | | | | |
| Property rates | 23 570 591 | - | 23 570 591 | - | - | 23 570 591 | 18 966 665 | - | (4 603 926) | 80 % | 80 % |
| Service charges | 37 441 434 | 2 000 000 | 39 441 434 | - | - | 39 441 434 | 35 684 754 | - | (3 756 680) | 90 % | 95 % |
| Investment revenue | 11 947 580 | 1 200 000 | 13 147 580 | - | - | 13 147 580 | 12 819 533 | - | (328 047) | 98 % | 107 % |
| Transfers recognised - operational | 235 075 000 | 1 271 614 | 236 346 614 | - | - | 236 346 614 | 238 735 778 | - | 2 389 164 | 101 % | 102 % |
| Other own revenue | 8 466 292 | 20 000 | 8 486 292 | - | - | 8 486 292 | 24 969 905 | - | 16 483 613 | 294 % | 295 % |
| Total revenue (excluding capital transfers and contributions) | 316 500 897 | 4 491 614 | 320 992 511 | - | - | 320 992 511 | 331 176 635 | - | 10 184 124 | 103 % | 105 % |
| Employee costs | (108 893 386) | 307 710 | (108 585 676) | - | - | (108 585 676) | (107 336 852) | - | 1 248 824 | 99 % | 99 % |
| Remuneration of councillors | (24 090 965) | 502 563 | (23 588 402) | - | - | (23 588 402) | (23 223 492) | - | 364 910 | 98 % | 96 % |
| Debt impairment | (2 100 735) | - | (2 100 735) | - | - | (2 100 735) | (4 266 040) | - | (2 165 305) | 203 % | 203 % |
| Depreciation and asset impairment | (48 449 090) | (1) | (48 449 091) | - | - | (48 449 091) | (43 066 835) | - | 5 382 256 | 89 % | 89 % |
| Finance charges | (400 000) | - | (400 000) | - | - | (400 000) | (65 518) | - | 334 482 | 16 % | 16 % |
| Materials and bulk purchases | (33 594 401) | - | (33 594 401) | - | - | (33 594 401) | (30 025 433) | - | 3 568 968 | 89 % | 89 % |
| Transfers and grants | (2 158 034) | 514 000 | (1 644 034) | - | - | (1 644 034) | (702 066) | - | 941 968 | 43 % | 33 % |
| Other expenditure | (124 283 823) | (54 312 297) | (178 596 120) | - | - | (178 596 120) | (114 801 961) | - | 63 794 159 | 64 % | 92 % |
| Total expenditure | (343 970 434) | (52 988 025) | (396 958 459) | - | - | (396 958 459) | (323 488 197) | - | 73 470 262 | 81 % | 94 % |
| Total revenue (excluding capital transfers and contributions) | 316 500 897 | 4 491 614 | 320 992 511 | - | - | 320 992 511 | 331 176 635 | - | 10 184 124 | 103 % | 105 % |
| Total expenditure | (343 970 434) | (52 988 025) | (396 958 459) | - | - | (396 958 459) | (323 488 197) | - | 73 470 262 | 81 % | 94 % |
| Surplus/(Deficit) | (27 469 537) | (48 496 411) | (75 965 948) | - | - | (75 965 948) | 7 688 438 | - | 83 654 386 | (10)% | (28)% |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s31 of the MFMA) | Final adjustments and budget (i.t.o. s28 and s31 of the MFMA) | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-----------------|---|---|--|---|--------------|----------------|--------------------------|---------------|-------------------------------------|--|
| Transfers recognised - capital | 72 446 000 | 19 580 000 | 92 026 000 | - | - | 92 026 000 | 85 889 620 | | (6 136 380) | 93 % | 119 % |
| Surplus/(Deficit) | (27 469 537) | (48 496 411) | (75 965 948) | - | - | (75 965 948) | 7 688 438 | - | 83 654 386 | (10)% | (28)% |
| Capital transfers and contributions | 72 446 000 | 19 580 000 | 92 026 000 | - | - | 92 026 000 | 85 889 620 | - | (6 136 380) | 93 % | 119 % |
| Surplus (Deficit) after capital transfers and contributions | 44 976 463 | (28 916 411) | 16 060 052 | - | - | 16 060 052 | 93 578 058 | | 77 518 006 | 583 % | 208 % |
| Surplus (Deficit) after capital transfers and contributions | 44 976 463 | (28 916 411) | 16 060 052 | - | - | 16 060 052 | 93 578 058 | - | 77 518 006 | 583 % | 208 % |
| Surplus/(Deficit) for the year | 44 976 463 | (28 916 411) | 16 060 052 | - | - | 16 060 052 | 93 578 058 | | 77 518 006 | 583 % | 208 % |
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 93 690 598 | 29 460 247 | 123 150 845 | - | - | 123 150 845 | (98 747 336) | | (221 898 181) | (80)% | (105)% |
| Sources of capital funds | | | | | | | | | | | |
| Transfers recognised - capital | 70 075 200 | 12 358 698 | 82 433 898 | - | - | 82 433 898 | 74 819 124 | | (7 614 774) | 91 % | 107 % |
| Internally generated funds | 23 615 398 | 17 101 558 | 40 716 956 | - | - | 40 716 956 | 23 928 212 | | (16 788 744) | 59 % | 101 % |
| Total sources of capital funds | 93 690 598 | 29 460 256 | 123 150 854 | - | - | 123 150 854 | 98 747 336 | | (24 403 518) | 80 % | 105 % |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments (i.t.o. s31 of the MFMA) | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-------------------|---|--|--|---|---------------------|--------------------|--------------------------|---------------------|-------------------------------------|--|
| Cash flows | | | | | | | | | | | |
| Net cash from (used) operating | 95 526 602 | (30 383 191) | 65 143 411 | - | - | 65 143 411 | 127 585 875 | | 62 442 464 | 196 % | 134 % |
| Net cash from (used) investing | (93 690 598) | (29 460 747) | (123 151 345) | - | - | (123 151 345) | (98 651 175) | | 24 500 170 | 80 % | 105 % |
| Net increase/(decrease) in cash and cash equivalents | 1 836 004 | (59 843 938) | (58 007 934) | - | - | (58 007 934) | 28 934 700 | | 86 942 634 | (50)% | 1 576 % |
| Cash and cash equivalents at the beginning of the year | 41 525 982 | 53 023 110 | 94 549 092 | - | - | 94 549 092 | 94 527 941 | | (21 151) | 100 % | 228 % |
| Net increase / (decrease) in cash and cash equivalents | 1 836 004 | (59 843 938) | (58 007 934) | - | - | (58 007 934) | 28 934 700 | - | (86 942 634) | (50)% | 1 576 % |
| Cash and cash equivalents at the beginning of the year | 41 525 982 | 53 023 110 | 94 549 092 | - | - | 94 549 092 | 94 527 941 | - | 21 151 | 100 % | 228 % |
| Cash and cash equivalents at year end | 43 361 986 | (6 820 828) | 36 541 158 | - | - | 36 541 158 | 123 462 641 | (86 921 483) | 338 % | 338 % | 285 % |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates and inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the value of estimated future cash flows discounted at the rate determined by the Council policy.

Provision for Rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, site water balance, the rehabilitation cost, the monitoring and the rehabilitation period.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets as set out in note 15 of the financial statements. Provisions are discounted where the effect is material.

Depreciation and Amortization

Depreciation and amortization recognised on property plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the municipality's expectations about the availability of finance to replace the asset at the end of its useful life.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The nature or type of properties classified as held for strategic purposes are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|--|---------------------|---------------------|
| Land | Straight line | Undefined |
| Buildings | Straight line | 5 - 100 years |
| Furniture and fixtures | Straight line | 2 - 26 years |
| Motor vehicles | Straight line | 3 - 14 years |
| Office equipment | Straight line | 3 - 26 years |
| IT equipment | Straight line | 3 - 17 years |
| Infrastructure | Straight line | |
| • Roads, bridges and pavements | | 5 - 100 years |
| • Electricity, reticulation and supply | | 9 - 60 years |
| • Waste disposal facilities | | 7 - 30 years |
| • Storm water | | 40 - 100 years |
| • Traffic lights | | 10 years |
| • Landfill sites | | 15 - 30 years |
| • Metering Infrastructure credit | | 25 years |
| Community | Straight line | |
| • Cemeteries | | 10 - 30 years |
| • Community halls | | 25 - 50 years |
| • Housing scheme houses | | 15 years |
| • Recreational facilities | | 10 - 50 years |
| Plant and Machinery | Straight line | 2 - 15 years |
| Other property, plant and equipment | Straight line | 5 - 21 years |
| Park Facilities | Straight line | 10 - 50 years |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line | 3 - 5 years |

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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Accounting Policies

1.7 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|-----------------------------|--|
| Call accounts | Financial asset measured at amortised cost |
| Trade and other receivables | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

Mbizana Local Municipality

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1.7 Financial instruments (continued)

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--------------------------|--|
| DBSA Loan | Financial liability measured at amortised cost |
| Trade and other payables | Financial liability measured at amortised cost |

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Mbizana Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

Mbizana Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Mbizana Local Municipality

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Accounting Policies

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Mbizana Local Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

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Accounting Policies

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.11 Employee benefits (continued)

Leave pay

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as result of the unused entitlement that has accumulated at the reporting date.

The liability is based on the total amount of leave days due to employees at reporting date and on basic salary of the employees.

Long service awards

The municipality provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in the preceding year.

Annual Bonuses

The municipality recognise the expected cost of bonus, incentive and performance related payments only when the municipality has a present legal or constructive obligation to make such payments as a result of past events and if a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make payments.

The municipality pays out an annual bonus to its employees during the month of their birthday or annually from date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Mbizana Local Municipality

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Accounting Policies

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Provision for rehabilitation of Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill site used for waste disposal. It is calculated as the present value of the future obligation, discounted over an average period as determined by valuers.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service Charges-Electricity

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. Revenue arising from consumption of electricity in the month of June is fully accounted for whether invoiced or not.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on pre-payment basis are recognised at the point of sale.

Refuse removal

Revenue relating to refuse removal is recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Rental income

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Tariff charges

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income from agency fees

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Investment income

Revenue arising from the use by others of municipality assets yielding interest, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably. Interest received is recognised, in surplus or deficit using the effective interest rate method.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Mbizana Local Municipality

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recovery of unauthorised, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain

Taxes

The Municipality accounts for Value Added Tax (VAT) on the invoice basis. Revenue, expenses and assets are recognised net of the VAT amount. The net amount of VAT recoverable from or payable to the taxation authority is disclosed on the face of the statement of financial position.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are also reclassified and restated unless such comparative reclassification and/or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors which relate to prior periods have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with the prior periods. Where there has been a reclassification or restatement the nature and reasons for the reclassification and restatement are disclosed in **note 41 'Prior Period Errors'** to the financial statements.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure -

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Irregular expenditure (continued)

- (a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);
Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of MLM or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or
excludes expenditure by a municipality which falls within the definition of „unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was written-off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Change in accounting policy, estimate and errors

Changes in accounting policy that are affected by management have been applied retrospectively in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the accumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the annual financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effects of the error. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of prior period errors are disclosed in note 40 of the financial statements where applicable.

Mbizana Local Municipality

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Accounting Policies

1.23 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.25 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. Commitments are not recorded in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP

1.27 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.27 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.28 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is a possible inflow of resources embodying economic benefits or service potential that is subject to one or more uncertain future events beyond the control of the municipality.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|---|
| <ul style="list-style-type: none"> GRAP 12 (as amended 2016): Inventories | 01 April 2018 | The impact of the is not material. |
| <ul style="list-style-type: none"> GRAP 16 (as amended 2016): Investment Property | 01 April 2018 | The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements |
| <ul style="list-style-type: none"> GRAP 17 (as amended 2016): Property, Plant and Equipment | 01 April 2018 | The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements |
| <ul style="list-style-type: none"> GRAP 21 (as amended 2016): Impairment of non-cash-generating assets | 01 April 2018 | The impact of the is not material. |
| <ul style="list-style-type: none"> GRAP 26 (as amended 2016): Impairment of cash-generating assets | 01 April 2018 | The impact of the is not material. |
| <ul style="list-style-type: none"> GRAP 27 (as amended 2016): Agriculture | 01 April 2018 | The impact of the is not material. |
| <ul style="list-style-type: none"> GRAP 31 (as amended 2016): Intangible Assets | 01 April 2018 | The impact of the is not material. |
| <ul style="list-style-type: none"> GRAP 103 (as amended 2016): Heritage Assets | 01 April 2018 | The impact of the is not material. |
| <ul style="list-style-type: none"> Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities | 01 April 2018 | The impact of the is not material. |

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|--|--|
| <ul style="list-style-type: none"> Directive 7 (revised): The Application of Deemed Cost | 01 April 2019 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> GRAP 18 (as amended 2016): Segment Reporting | 01 April 2019 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> GRAP 20: Related parties | 01 April 2019 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> GRAP 32: Service Concession Arrangements: Grantor | 01 April 2019 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> GRAP 108: Statutory Receivables | 01 April 2019 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> GRAP 109: Accounting by Principals and Agents | 01 April 2019 | Unlikely there will be a material impact |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IGRAP 18: Interpretation of the Standard of GRAP on 01 April 2019
Recognition and Derecognition of Land
- IGRAP 19: Liabilities to Pay Levies 01 April 2019

Unlikely there will be a material impact
Unlikely there will be a material impact

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|-----------------|------|------|
|-----------------|------|------|

3. Investment property

| | 2019 | | | 2018 | | |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 25 097 000 | - | 25 097 000 | 6 131 700 | - | 6 131 700 |

Reconciliation of investment property - 2019

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|------------|
| Investment property | 6 131 700 | 18 965 300 | 25 097 000 |

Reconciliation of investment property - 2018

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|-----------|
| Investment property | 5 793 770 | 337 930 | 6 131 700 |

Pledged as security

There are no investment properties pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Sunday, 30 June 2019. Revaluations were performed by an independent valuer, PJ Lindstrom a professional valuer, of Penny Lindstrom Valuations. PJ Lindstrom is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on discounted cash flows.

For investment property, totalling R 25 097 000, where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:
Capitalisation rate of 10%

Amounts recognised in surplus and deficit for the year.

| | | |
|---|-----------|---------|
| Rental revenue from investment property | 1 435 752 | 771 235 |
|---|-----------|---------|

Maintenance of investment property

There are no maintenance costs incurred by the municipality on investment property.

Amounts recognised in surplus or deficit

| | | |
|---|-----------|---------|
| Rental revenue from Investment property | 1 435 752 | 771 235 |
|---|-----------|---------|

Mbizana Local Municipality
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

| | 2019 | | 2018 | |
|------------------------|---------------------|---|--------------------|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation |
| Land | 3 552 990 | - | 3 552 990 | 3 552 990 |
| Buildings | 31 725 114 | (5 408 358) | 26 316 756 | 31 725 114 |
| Plant and machinery | 20 658 290 | (7 255 567) | 13 402 723 | 16 725 195 |
| Furniture and fixtures | 17 912 111 | (10 239 083) | 7 673 028 | 15 776 460 |
| Motor vehicles | 14 207 380 | (3 926 704) | 10 280 676 | 12 054 492 |
| Infrastructure | 581 632 164 | (206 866 300) | 374 765 864 | 568 714 220 |
| Community | 104 399 951 | (15 437 122) | 88 962 829 | 95 603 780 |
| Work in progress | 129 786 299 | - | 129 786 299 | 80 468 278 |
| Total | 903 874 299 | (249 133 134) | 654 741 165 | 824 620 529 |
| | | | | (218 504 505) |
| | | | | 606 116 024 |

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|------------------------|--------------------|-------------------|--------------------|------------------|---------------------|--------------------|--------------------|
| Land | 3 552 990 | - | - | - | - | - | 3 552 990 |
| Buildings | 27 302 839 | - | - | - | (837 497) | (148 586) | 26 316 756 |
| Plant and machinery | 11 834 834 | 3 933 095 | - | - | (2 365 206) | - | 13 402 723 |
| Furniture and fixtures | 7 235 759 | 2 547 540 | (16 099) | 600 000 | (2 694 172) | - | 7 673 028 |
| Motor vehicles | 9 463 410 | 2 686 309 | (430 410) | - | (1 438 633) | - | 10 280 676 |
| Infrastructure | 383 644 450 | 22 397 466 | (7 028 388) | 9 957 335 | (31 968 757) | (2 236 242) | 374 765 864 |
| Community | 82 613 464 | 2 408 320 | - | 6 418 800 | (2 477 755) | - | 88 962 829 |
| Work in progress | 80 468 278 | 64 774 606 | - | (15 456 585) | - | - | 129 786 299 |
| | 606 116 024 | 98 747 336 | (7 474 897) | 1 519 550 | (41 782 020) | (2 384 828) | 654 741 165 |

Mbizana Local Municipality
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|------------------------|--------------------|-------------------|---------------------|--------------------|---------------------|--------------------|
| Land | 3 572 180 | - | (19 190) | - | - | 3 552 990 |
| Buildings | 28 066 842 | - | (94 344) | 169 257 | (838 916) | 27 302 839 |
| Plant and machinery | 7 646 718 | 6 481 257 | (727 939) | - | (1 565 202) | 11 834 834 |
| Furniture and fixtures | 6 976 142 | 2 232 792 | (30 619) | 199 000 | (2 141 556) | 7 235 759 |
| Motor vehicles | 7 043 990 | 4 356 174 | (1 099 691) | - | (837 063) | 9 463 410 |
| Infrastructure | 371 649 361 | 22 170 383 | (390 694) | 21 029 189 | (30 813 789) | 383 644 450 |
| Community | 68 184 310 | 7 048 189 | - | 9 562 317 | (2 181 352) | 82 613 464 |
| Work in progress | 115 358 362 | 33 519 670 | (32 395 672) | (36 014 082) | - | 80 468 278 |
| | 608 497 905 | 75 808 465 | (34 758 149) | (5 054 319) | (38 377 878) | 606 116 024 |

Pledged as security

There was no Property plant and equipment pledged as security:

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

| | |
|-------------------------------------|---------------|
| Land | Straight line |
| Buildings | Straight line |
| Plant and machinery | Straight line |
| Furniture and fixtures | Straight line |
| Motor vehicles | Straight line |
| Office equipment | Straight line |
| IT equipment | Straight line |
| Computer software | Straight line |
| Infrastructure | Straight line |
| Community | Straight line |
| Other property, plant and equipment | Straight line |
| Park facilities | Straight line |
| | Undefined |
| | 5 - 100 years |
| | 2 - 15 years |
| | 2 - 26 years |
| | 3 - 14 years |
| | 3 - 26 years |
| | 3 - 17 years |
| | 3 - 5 years |
| | 5 - 100 years |
| | 2 - 50 years |
| | 5 - 21 years |
| | 10 - 15 years |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|--------------------|-------------------|
| 4. Property, plant and equipment (continued) | | |
| Capitalised expenditure (excluding borrowing costs) | | |
| Plant and machinery | 3 933 095 | 6 481 257 |
| Furniture and fixtures | 2 547 540 | 2 232 792 |
| Motor vehicles | 2 686 309 | 4 356 174 |
| Infrastructure | 22 397 466 | 22 170 383 |
| Community | 2 408 320 | 7 048 189 |
| Work in progress | 64 774 606 | 33 519 670 |
| | 98 747 336 | 75 808 465 |
| Compensation received for losses on property, plant and equipment | | |
| Motor vehicles | 92 303 | - |
| IT equipment | 3 857 | 9 275 |
| | 96 160 | 9 275 |
| Property, plant and equipment in the process of being constructed or developed | | |
| Cumulative expenditure recognised in the carrying value of property, plant and equipment | | |
| Buildings | 63 000 | 63 000 |
| Infrastructure | 92 296 110 | 60 241 898 |
| Community | 37 427 189 | 20 163 380 |
| | 129 786 299 | 80 468 278 |
| Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected | | |
| Community Assets | 23 077 483 | 10 520 598 |
| Bizana sports field was previously delayed due to lack of funding however the Department of Sport and CoGTA have agreed to fund the construction as a multi-year project that is scheduled to be completed in 2021 | | |
| Roads infrastructure | 6 343 328 | 6 343 328 |
| Sidanga Access Road delayed due to the fine the municipality received from DEDEA for working without the ORD. | | |
| Electricity infrastructure | 46 197 350 | 34 141 470 |
| Monti Ntlozelo project was delayed due to shortage of fund and unsatisfactory performance by the contractor that has since been terminated and a new contractor appointed to complete the project. | | |
| | 75 618 161 | 51 005 396 |
| Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s) | | |
| Road infrastructure | - | 1 578 148 |
| Mntomkhulu access Road delayed due to the fine the municipality got from DEDEA for working on the bridge without the ORD. This project was completed in this financial year. The Project is capitalised in the current financial year. | | |
| | - | 1 578 148 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|-----------------|------|------|
|-----------------|------|------|

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|---------------------------------|--------------------------------|---------------------------|---------------------------|--------------------|
| Opening balance | 59 794 298 | 20 610 980 | 63 000 | 80 468 278 |
| Current year additions | 41 316 605 | 23 458 001 | - | 64 774 606 |
| Transferred to completed assets | (9 037 785) | (6 418 800) | - | (15 456 585) |
| | 92 073 118 | 37 650 181 | 63 000 | 129 786 299 |

Reconciliation of Work-in-Progress 2018

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|---------------------------------|--------------------------------|---------------------------|---------------------------|-------------------|
| Opening balance | 99 307 453 | 10 901 390 | 319 000 | 110 527 843 |
| Current year additions | 15 553 636 | 17 853 778 | 112 257 | 33 519 671 |
| Non-cash disposals | (32 395 671) | - | - | (32 395 671) |
| Transferred to completed assets | (22 671 120) | (8 144 188) | (368 257) | (31 183 565) |
| | 59 794 298 | 20 610 980 | 63 000 | 80 468 278 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | |
|------------------------|-------------------|------------------|
| Employee related costs | 3 356 014 | 3 133 673 |
| Contracted services | 8 576 034 | 2 631 563 |
| Fuel and Oil | 603 796 | 176 535 |
| General expenses | 112 610 | 3 438 773 |
| | 12 648 454 | 9 380 544 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | | 2019 | 2018 |
|--|--------------|-------------------|-------------------|
| 4. Property, plant and equipment (continued) | | | |
| Funding of property, plant and equipment acquisitions | | | |
| | Funding type | | |
| Additions to property, plant and equipment was funded from the following sources: | | | |
| Plant and machinery | | | |
| Internally generated funds | Own revenue | 3 933 095 | 6 481 257 |
| Infrastructure Assets | | | |
| Municipal infrastructure grant | Grant | 17 886 200 | 12 333 814 |
| Internally generated funds | Own revenue | 4 511 266 | 9 836 569 |
| Community Assets | | | |
| Municipal infrastructure grant | Grant | 1 514 655 | 3 681 086 |
| Internally generated funds | Own revenue | 893 665 | 3 367 103 |
| Furniture and fixtures | | | |
| Internally generated funds | Own revenue | 2 547 540 | 2 232 792 |
| Transport Assets | | | |
| Internally generated funds | Own revenue | 2 686 309 | 4 356 174 |
| Work in progress | | | |
| Municipal infrastructure grant | Grant | 27 358 240 | 32 357 410 |
| Integrated national electrification grant | Grant | 22 893 394 | - |
| Internally generated funds | Own revenue | 14 522 972 | 1 162 260 |
| | | 98 747 336 | 75 808 465 |

Change in the opening balance of the PPE

| | | |
|--|-----------|---------|
| Aggregate adjustment to the carrying amounts previously reported | 5 144 721 | 381 853 |
|--|-----------|---------|

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office

During the year it was discovered that vehicles purchased during the year were not assessed for residual values resulting in an understatement of property plant and equipment of R 9 560, and an access road that was not capitalised resulted in a decrease in depreciation and increase in PPE for the prior year by R3 751.

It was discovered that the WIP register was overstated by an amount of R4 318 541 of Prepayment that was double accounted in 2014/15 financial year, correction resulted in decrease in WIP and increase in PPE. Work in Progress was overstated by R2 115 064 from a duplication of transactions, transactions that never existed and transactions that were incorrectly allocated to the project, resulted in a decrease in WIP and an increase in PPE. WIP was overstated by R2 926 780 which was R 196 370 from 1.6km overhead lines that was capitalised and the remainder of expenditure relates to 5MVA Backbone line. An overstatement of R379 170.08 on WIP which belonged to Madiba electrification as per supporting documentation which has since been completed and expensed. An overstatement of R167 760.72, an invalid transaction that never existed between the municipality and service provider and the remainder went to 5 MVA Backbone lines. A decrease in WIP of R2 183 480 from the transaction that were allocated to 1.6km overhead lines and 5 MVA Backbone lines. An increase of R1 073 247.87 in WIP from Bizana Sportfield due to the opening balance on WIP register that did not reconcile to the individual transactions for the project. An increase of R1 049 312.25 in WIP from Sidanga AR due to the opening balance on WIP register that did not reconcile to the individual transactions for the project. The correction of this error resulted in a decrease in Property plant and equipment and an increase in accumulated surplus.

The correction of these errors resulted in a net decrease in Property, plant and equipment for the prior year of R 5 144 721.

5. Heritage assets

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|-----------------|------|------|
|-----------------|------|------|

5. Heritage assets (continued)

| | 2019 | | | 2018 | | |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical monuments | 1 230 799 | - | 1 230 799 | 1 230 799 | - | 1 230 799 |

Reconciliation of heritage assets 2019

| | Opening balance | Total |
|----------------------|--------------------|-----------|
| Historical monuments | 1 230 799 | 1 230 799 |

Reconciliation of heritage assets 2018

| | Opening balance | Total |
|----------------------|--------------------|-----------|
| Historical monuments | 1 230 799 | 1 230 799 |

Restrictions on heritage assets

There were no restrictions on the title of heritage

Pledged as security

There were no heritage assets pledged as security:

6. Intangible assets

| | 2019 | | | 2018 | | |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 774 233 | (445 205) | 329 028 | 805 462 | (31 229) | 774 233 |

Reconciliation of intangible assets - 2019

| | Opening balance | Amortisation | Total |
|--------------------------|--------------------|--------------|---------|
| Computer software, other | 774 233 | (445 205) | 329 028 |

Reconciliation of intangible assets - 2018

| | Opening balance | Disposals | Amortisation | Total |
|--------------------------|--------------------|-----------|--------------|---------|
| Computer software, other | 1 468 838 | (101 314) | (593 291) | 774 233 |

Pledged as security

There are no intangible assets pledged as security and there are no restrictions on the title.

Changes in the opening balance of the Intangible assets

There were no changes made to the opening balances of intangible assets during the financial year.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|------------------|------------------|
| 7. Operating lease asset | | |
| Current assets | 1 636 755 | 880 913 |
| <p>Certain of the municipality's property is held to generate rental income. Lease agreements are renewable and have varying terms of between 9 to 20 years. There are no contingent rentals receivable. The operating lease asset arose as a result of straight-lining the lease rentals per requirements of GRAP 13.</p> | | |
| 8. Prepayments | | |
| Prepayments | 18 449 866 | 13 656 837 |
| <p>Prepaid expenses are those expenses that are paid for in one accounting period, but for which the underlying services or goods will be received in a future period.</p> <p>During the year under review the municipality paid for services and goods that will be received or rendered in the following accounting period.</p> <p>These were the suppliers' requirements as they required payment before services or goods can be rendered or delivered. These suppliers are:</p> <ul style="list-style-type: none"> • Ibhemile Projects and trading: Stationary • Bell equipment Co SA (Pty) LTD: Pad tool shells installation • Oskido's Trading and Projects: Promotional materialt • Inkubeko Ye Africa Construction: Protective clothing • Siseko Trading enterprise: Cleaning material • ESKOM Holdings for Electricity Projects. • SALGA Membership fees for 2019/2020 • The Institute of Internal Auditors for the renewal fees from June 2019 to May 2020 • ESRI South Africa for the ERCGIS Licence renewal | | |
| 9. Inventories | | |
| Inventories | 1 271 227 | 449 106 |
| Inventories (write-downs) | - | - |
| | 1 271 227 | 449 106 |
| <p>Inventory consists of consumables stores.</p> <p>Inventory pledged as security</p> <p>There is no inventory pledged as security</p> | | |
| 10. Other receivables from exchange transactions | | |
| Trade debtors | 1 713 406 | 1 713 406 |
| Unauthorised expenditure | 5 | 5 |
| Consumer debtors - Electricity | 328 668 | 605 355 |
| | 2 042 079 | 2 318 766 |
| Other receivables from exchange transactions | | |
| Trade debtors | 1 713 406 | 1 713 406 |
| Consumer debtors - Land Sales | 210 030 | 210 030 |
| Provision for bad debts consumer debtors - Land sales | (210 030) | (210 030) |
| Consumer debtors - Electricity | 956 457 | 956 457 |
| Provision for bad debts consumer debtors - Electricity | (627 789) | (351 102) |
| Unauthorised, irregular and fruitless expenditure | 5 | 5 |
| | 2 042 079 | 2 318 766 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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| Figures in Rand | 2019 | 2018 |
|---|-------------------|-------------------|
| 10. Other receivables from exchange transactions (continued) | | |
| Trade and other receivables pledged as security | | |
| The municipality does not have debtors that are pledged as security. | | |
| Fair value of trade and other receivables | | |
| Trade and other receivables | 2 042 079 | 2 318 766 |
| Trade and other receivables past due but not impaired | | |
| Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 1 713 406 (2018: R 1 149 241) were past due but not impaired. | | |
| The ageing of amounts past due but not impaired is as follows: | | |
| 3 months past due | 1 713 406 | 1 149 241 |
| Trade and other receivables impaired | | |
| As of 30 June 2019, trade and other receivables of R - (2018: R 1 730 651) were impaired and provided for. | | |
| The amount of the provision was R (837 819) as of 30 June 2019 (2018: R (561 132)). | | |
| The ageing of these amounts is as follows: | | |
| Over 6 months | - | 1 730 651 |
| 11. Receivables from non-exchange transactions | | |
| Fines | 622 530 | 1 450 105 |
| Government grants and subsidies | 403 681 | 403 681 |
| Payroll debtors | 182 839 | 398 127 |
| Overpayment - Councillors remuneration | 995 459 | 1 922 376 |
| Rates | 18 475 202 | 24 503 335 |
| | 20 679 711 | 28 677 624 |
| Rates | | |
| Consumer debtors - Rates | 21 426 433 | 27 402 866 |
| Provision for bad debts consumer debtors - Rates | (2 951 231) | (2 899 531) |
| | 18 475 202 | 24 503 335 |
| Rates: Aging | | |
| Current (0-30 days) | 810 110 | 609 609 |
| 31 - 60 days | 669 510 | 447 492 |
| 61 - 90 days | 227 013 | 2 485 589 |
| 91 - 120 days | 208 292 | 124 102 |
| 121 - 150 days | 196 656 | 117 967 |
| > 150 days | 19 314 852 | 23 618 107 |
| | 21 426 433 | 27 402 866 |

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|------------|------------|
| 11. Receivables from non-exchange transactions (continued) | | |
| Fair value of receivables from non-exchange transactions | | |
| Receivables from non-exchange transactions | 20 679 711 | 28 677 624 |
| The net balance of receivables from non-exchange transactions approximate the fair value of these receivables] | | |
| 12. VAT receivable | | |
| VAT | 22 146 960 | 27 167 994 |

VAT is recognised on an invoice basis.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|-------------------|-------------------|
| 13. Receivables from exchange transactions | | |
| Gross balances | | |
| Receivables-service charges | 25 891 663 | 19 892 989 |
| Less: Allowance for impairment | | |
| Provision for debt impairment | (10 666 413) | (9 392 393) |
| Net balance | | |
| Receivables-service charges | 15 225 250 | 10 500 596 |
| Service charges | | |
| Current (0 -30 days) | 2 947 955 | 2 479 461 |
| 31 - 60 days | 1 528 103 | 1 027 836 |
| 61 - 90 days | 849 373 | 474 159 |
| 91 - 120 days | 780 550 | 313 259 |
| 121 - 365 days | 4 953 685 | 3 365 232 |
| > 365 days | 14 831 997 | 12 233 042 |
| | 25 891 663 | 19 892 989 |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 159 911 | 102 366 |
| 31 - 60 days | 163 545 | 89 893 |
| 61 - 90 days | 162 551 | 73 348 |
| 91 - 120 days | 154 707 | 63 940 |
| 121 - 365 days | 1 022 429 | 445 547 |
| > 365 days | 4 324 484 | 4 127 589 |
| | 5 987 627 | 4 902 683 |
| Less: Allowance for impairment | (4 328 111) | (3 724 780) |
| | 1 659 516 | 1 177 903 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 2 044 441 | 1 649 066 |
| 31 - 60 days | 675 724 | 563 054 |
| 61 - 90 days | 376 472 | 111 245 |
| 91 - 120 days | 325 350 | (22 518) |
| 121 - 365 days | 1 810 224 | 980 591 |
| > 365 days | 6 796 407 | 5 435 610 |
| | 12 028 618 | 8 717 048 |
| Less: Allowance for impairment | (6 338 302) | (5 667 613) |
| | 5 690 316 | 3 049 435 |
| National and provincial government | | |
| Current (0 -30 days) | 743 602 | 728 030 |
| 31 - 60 days | 688 834 | 374 890 |
| 61 - 90 days | 310 350 | 289 566 |
| 91 - 120 days | 300 493 | 271 837 |
| 121 - 365 days | 2 121 031 | 1 939 095 |
| > 365 days | 3 711 108 | 2 669 842 |
| | 7 875 418 | 6 273 260 |
| Service charges | | |
| Current (0 -30 days) | 2 947 955 | 2 479 461 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---------------------|--------------------|
| 13. Receivables from exchange transactions (continued) | | |
| 31 - 60 days | 1 528 103 | 1 027 836 |
| 61 - 90 days | 849 373 | 474 159 |
| 91 - 120 days | 780 550 | 313 259 |
| 121 - 365 days | 4 953 685 | 3 365 232 |
| > 365 days | 14 831 997 | 12 233 042 |
| | <u>25 891 663</u> | <u>19 892 989</u> |
| Less: Allowance for impairment | <u>(10 666 413)</u> | <u>(9 392 393)</u> |
| | 15 225 250 | 10 500 596 |
| Less: Allowance for impairment | | |
| Current (0 -30 days) | - | - |
| 31 - 60 days | (363 668) | (271 633) |
| 61 - 90 days | (264 721) | (219 796) |
| 91 - 120 days | (301 522) | (217 436) |
| 121 - 365 days | (276 134) | (209 954) |
| > 365 days | (9 460 368) | (8 473 574) |
| | <u>(10 666 413)</u> | <u>(9 392 393)</u> |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (9 692 054) | (10 438 533) |
| Contributions to allowance | (974 359) | (11 620 365) |
| Reversal of allowance | - | 12 666 505 |
| | <u>(10 666 413)</u> | <u>(9 392 393)</u> |

Consumer debtors pledged as security

There were no consumer debtors pledged as security in the 2018-19 financial year.

Credit quality of consumer debtors

In determining the recoverability of consumer debt the municipality considers any changes in the credit quality of the consumer debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the provision for impairment is determined according to the past payment patterns of each consumers within the various categories. The calculation of the provision for bad debts is automated in the system which is configured according to the national treasury scoring method.

Fair value of receivables- service charges

| | | |
|------------------|------------|------------|
| Consumer debtors | 15 225 251 | 10 500 596 |
|------------------|------------|------------|

The fair value of receivables from services charges is determined by taking the gross amount less allowance for impairment.

Mbizana Local Municipality

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|---------------------------------------|--------------------|-------------------|
| 14. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 2 005 | 2 005 |
| Bank balances | 3 959 864 | 13 483 588 |
| Short-term deposits | 119 500 772 | 81 042 348 |
| | 123 462 641 | 94 527 941 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2019 | 30 June 2018 | 30 June 2017 |
| FNB BANK - Public Sector - Cheque Account-51704922107 | 3 872 541 | 13 499 124 | 1 627 398 | 3 959 864 | 13 483 587 | 1 601 716 |
| FNB BANK - Public Sector - Account- 61170003788 | - | 417 420 | 396 661 | - | 417 421 | 396 662 |
| FNB BANK - Public Sector - Cheque Account - 51701039997 | - | 1 889 183 | 1 788 870 | - | 1 879 626 | 1 779 314 |
| FNB BANK - 32 day notice - 740-0292-4914 | - | 256 520 | 244 699 | - | 256 519 | 244 699 |
| FNB BANK - Business Call Account - 611700303564 | - | 42 221 | 42 221 | - | 42 221 | 42 221 |
| FNB BANK - Business Call Account - 620003246693 | - | 21 237 | 21 237 | - | 21 237 | 21 237 |
| FNB BANK - Business Call Account - 61170003374 | - | 99 304 | 99 304 | - | 99 304 | 99 304 |
| FNB BANK - Business Call Account - 62022692439 | - | 387 225 | 389 660 | - | 387 255 | 389 660 |
| FNB BANK - Business Call Account - 6202224555 | - | 1 241 | 1 241 | - | 1 241 | 1 241 |
| FNB BANK - Business Call Account - 62028477992 | 114 452 088 | 77 300 623 | 61 745 885 | 114 452 088 | 77 300 623 | 61 745 885 |
| FNB BANK - Business Call Account - 62122946447 | - | 4 482 | 4 482 | - | 4 482 | 4 482 |
| FNB BANK - Business Call Account - 6212246661 | - | 619 443 | 619 443 | - | 619 443 | 619 443 |
| FNB BANK - Business Call Account - 62459758078 | 3 060 | - | 23 123 | 3 061 | (15) | 23 108 |
| FNB BANK - Business Call Account - 62122946778 | - | 6 495 | 6 495 | - | 6 495 | 6 495 |
| FNB BANK - Business Call Account - 62122946926 | - | 6 495 | 6 495 | - | 6 495 | 6 495 |
| FNB BANK - Business Call Account - 62550717767 | 5 045 623 | - | 23 096 | 5 045 623 | - | 23 096 |
| Total | 123 373 312 | 94 551 013 | 67 040 310 | 123 460 636 | 94 525 934 | 67 005 058 |

15. Unspent conditional grants and receipts

The conditions relating to full expenditure were not met for the grants disclosed as unspent conditional grants and receipts. These amounts are accounted for as a current liability until a roll-over is granted by National Treasury and the spending condition is met.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|------------------|------------------|
| 15. Unspent conditional grants and receipts (continued) | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| DSRAC: Library Grant | 448 423 | 423 |
| LED : Economic Master Plan | - | 301 868 |
| DHLTA-Fraud Prevention | - | 160 280 |
| LED-Grant | - | 120 920 |
| Road Maintenance IEC | - | 263 124 |
| Pilot Housing Trust Fund | - | 391 620 |
| EXT 2 Residents Trust Fund-Grant | - | 33 802 |
| Municipal Infrastructure Grant | 6 126 580 | - |
| GIS Grant - Alfred Nzo | 100 000 | 100 000 |
| Waste Management Grant | 11 610 | 11 610 |
| | 6 686 613 | 1 383 647 |
| Movement during the year | | |
| Balance at the beginning of the year | 1 439 847 | 1 534 958 |
| Additions during the year | 97 024 000 | 119 034 319 |
| Income recognition during the year | (91 777 234) | (119 185 630) |
| | 6 686 613 | 1 383 647 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 | | |
|--|--------------------|-------------------|-----------------------------|-------------------|
| 16. Provisions | | | | |
| Reconciliation of provisions - 2019 | | | | |
| | Opening Balance | Additions | Reversed during the year | Total |
| Environmental rehabilitation | 6 382 864 | 6 523 423 | (6 382 864) | 6 523 423 |
| Provision for long service bonuses | 400 314 | 599 708 | - | 1 000 022 |
| Bonus provision | 1 792 279 | 1 898 611 | (1 792 279) | 1 898 611 |
| Staff leave provision | 5 665 928 | 13 157 254 | (5 665 928) | 13 157 254 |
| | 14 241 385 | 22 178 996 | (13 841 071) | 22 579 310 |
| Reconciliation of provisions - 2018 | | | | |
| | Opening Balance | Additions | Reversed during the year | Total |
| Environmental rehabilitation | 5 814 681 | 568 183 | - | 6 382 864 |
| Provision for long service bonuses | 176 449 | 223 865 | - | 400 314 |
| Bonus provision | 1 337 552 | 454 727 | - | 1 792 279 |
| Staff leave provision | 10 547 650 | - | (4 881 722) | 5 665 928 |
| | 17 876 332 | 1 246 775 | (4 881 722) | 14 241 385 |
| Non-current liabilities | | | 3 493 318 | 4 318 896 |
| Current liabilities | | | 19 085 992 | 9 922 489 |
| | | | 22 579 310 | 14 241 385 |

Environmental rehabilitation provision

The municipality operates a refuse disposal site. In accordance with legislation and to comply with the Department of Water Affairs (DWA) and Department of Economic Development and Environmental Affairs (DEDEA) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the site is situated.

Provision has been made for this cost based on the construction budget to rehabilitate the landfill site at 30 June 2019 taking into account price escalations of 12% relating to inflation.

A valuation of the rehabilitation was conducted by an independent valuer (Khuselindalo Environmental Development) and a liability has been raised. Movements in the provision are recognised in the statement of financial performance. The provision has been determined on the basis of a recent independent financial requirement and viability study.

Long service bonus provision

The municipality offers employees long service awards (LSA) for every 5 years of service completed from 5 years of service to 45 years of service inclusive. The LSA is not a funded arrangement.

Movements in the provision are recognised in the statement of financial performance

Bonus provision

All permanent employees are entitled to receive a bonus equal to one month basic salary on their birth month therefore an accrual of the proportionate bonus is accrued from year end till the next birth date for each employee.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|-----------------|------|------|
|-----------------|------|------|

16. Provisions (continued)

Staff leave provision

The municipality offers employees 2 days for every month completed and is therefore liable to pay the employee the amount equivalent to the leave days not taken at year end upon resignation or retirement. This is calculated based on the cost to company rate per day.

The movement in the provision is recorded in the statement of financial performance.

17. Payables from exchange transactions

| | | |
|---|-------------------|-------------------|
| Trade payables | 4 902 264 | 10 364 788 |
| Payments received in advanced - contract in process | 918 700 | 1 262 479 |
| Retention | 11 280 787 | 10 905 698 |
| Accrued expense | 6 535 455 | 13 752 724 |
| Unallocated receipts | 784 253 | 805 648 |
| Provision for workmen's compensation | 1 403 394 | 1 982 872 |
| Payroll creditors | (62 145) | 76 373 |
| | 25 762 708 | 39 150 582 |

The average payment period for services received is 30 days from the receipt of the invoice as required by the MFMA.

Interest charged and penalties charged for late payments have been disclosed separately.

The municipality has considered the effect of discounting trade creditors to fair value and the difference was considered immaterial. Accordingly trade and other payables approximate fair value.

Workmen's compensation provision: In terms of COIDA Act every employer must pay workmen's compensation to the Department of Labour. The compensation fund sends employers notices of assessment every year in April indicating the amount that must be paid. The municipality thus raises a provision for the amount payable in the following year. This is based on the budgeted total personnel expenditure for the year and a percentage as determined by the Department of Labour.

Fair value of payables from exchange transactions

| | | |
|----------------|------------|------------|
| Trade payables | 25 762 708 | 39 150 582 |
|----------------|------------|------------|

18. Consumer deposits

| | | |
|-------------|----------------|----------------|
| Electricity | 132 596 | 223 072 |
| Hall Hire | 396 638 | 386 487 |
| | 529 234 | 609 559 |

Consumer deposits for electricity are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts council can utilise the deposits as payment for the outstanding amount.

Hall hire deposits are paid by consumers on hiring any of the municipal community halls. The deposit is a damage deposit and is paid back to the consumer after the event and if no damages occurred.

Consumer deposits collected do not accrue any interest.

The carrying value of consumer deposits approximates their fair value.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|-------------------------------------|--------------------|--------------------|
| 19. Revenue | | |
| Service charges | 35 684 754 | 30 831 422 |
| Rental of facilities and equipment | 2 223 563 | 655 942 |
| Agency services | 1 270 965 | 1 150 355 |
| Licences and Permits (Non-exchange) | 2 256 590 | 2 296 218 |
| Commissions received | 114 067 | 114 787 |
| Recoveries | 284 365 | 7 295 085 |
| Other income - (rollup) | 963 291 | 755 503 |
| Interest received | 12 819 533 | 11 142 942 |
| Property rates | 18 966 665 | 19 596 870 |
| Government grants & subsidies | 322 420 999 | 313 815 633 |
| Fines, Penalties and Forfeits | 1 037 884 | 1 646 015 |
| | 398 042 676 | 389 300 772 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|------------------------------------|-------------------|-------------------|
| Service charges | 35 684 754 | 30 831 422 |
| Rental of facilities and equipment | 2 223 563 | 655 942 |
| Agency services | 1 270 965 | 1 150 355 |
| Commissions received | 114 067 | 114 787 |
| Recoveries | 284 365 | 7 295 085 |
| Other income - (rollup) | 963 291 | 755 503 |
| Interest received | 12 819 533 | 11 142 942 |
| | 53 360 538 | 51 946 036 |

The amount included in revenue arising from non-exchange transactions is as follows:

| | | |
|-------------------------------|--------------------|--------------------|
| Taxation revenue | | |
| Property rates | 18 966 665 | 19 596 870 |
| Licences or permits | 2 256 590 | 2 296 218 |
| Transfer revenue | | |
| Government grants & subsidies | 322 420 999 | 313 815 633 |
| Fines, Penalties and Forfeits | 1 037 884 | 1 646 015 |
| | 344 682 138 | 337 354 736 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---------------------------|----------------------|----------------------|
| 20. Property rates | | |
| Rates income | | |
| Rates levied | 18 966 665 | 19 596 870 |
| Valuations | | |
| Residential | 222 933 500 | 221 263 000 |
| Commercial | 746 476 000 | 723 914 000 |
| State | 1 030 283 000 | 1 030 283 000 |
| Municipal | 136 468 500 | 187 303 500 |
| | 2 136 161 000 | 2 162 763 500 |

The general valuation on properties is performed every 5 years by an independent valuer (currently being Kanyisa Properties). The last general valuation roll came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.0090 (businesses), R 0.0050 (residential), R 0.0120 (State) is applied to property valuations to determine assessment rates. Rebates of R 55 000 are granted to residential property owners.

Rates are levied on an annual basis with the final date for payment being 30 September for annual payments. Interest at prime plus 1% per annum (2018: prime plus 1%) is levied on rates outstanding 30 days after due date.

21. Service charges

| | | |
|---------------------|-------------------|-------------------|
| Sale of electricity | 31 228 882 | 29 507 365 |
| Solid waste | 4 455 872 | 1 324 057 |
| | 35 684 754 | 30 831 422 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|--------------------|--------------------|
| 22. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 230 525 000 | 197 681 000 |
| Pilot Housing Trust Fund | 391 620 | - |
| EXT 2 Residents Trust Fund-Grant | 33 802 | - |
| Waste Management Grant | - | 488 390 |
| LED: Economic master plan | 301 868 | - |
| LED Grant | 120 920 | - |
| Road Maintenance IEC | 263 124 | - |
| MIG Operational | 2 214 199 | 2 781 316 |
| Financial Management Grant | 2 215 000 | 2 145 000 |
| Expanded Public Works Programme Grant | 2 335 000 | 1 704 000 |
| LGSET / Skills Development Grant | 174 965 | 146 343 |
| DHLTA-Fraud Prevention | 160 280 | - |
| Dept Sport & Culture - Library | - | 488 817 |
| | 238 735 778 | 205 434 866 |
| Capital grants | | |
| Municipal Infrastructure Grant | 51 075 221 | 56 919 780 |
| Integrated National Electrification Programme | 32 610 000 | 34 001 004 |
| Provincial Electrification Grant | - | 17 459 983 |
| | 83 685 221 | 108 380 767 |
| | 238 735 778 | 205 434 866 |
| | 83 685 221 | 108 380 767 |
| | 322 420 999 | 313 815 633 |
| Conditional and Unconditional | | |
| Included in above are the following grants and subsidies received: | | |
| Conditional grants received | 97 024 000 | 119 654 319 |
| Unconditional grants received | 230 525 000 | 197 681 000 |
| | 327 549 000 | 317 335 319 |
| Equitable Share | | |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. | | |
| All registered indigents received free basic electricity amounting to R3 426 617. | | |
| Current-year receipts | 230 525 000 | 197 681 000 |
| Conditions met - transferred to revenue | (230 525 000) | (197 681 000) |
| | - | - |
| DSRAC Library Grant | | |
| Balance unspent at beginning of year | 423 | 139 240 |
| Current-year receipts | 448 000 | 350 000 |
| Conditions met - transferred to revenue | - | (488 817) |
| | 448 423 | 423 |

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

LED - Economic Masterplan

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|-----------|----------------|
| 22. Government grants and subsidies (continued) | | |
| Balance unspent at beginning of year | 301 868 | 301 868 |
| Current-year receipts | - | - |
| Conditions met - transferred to revenue | (301 868) | - |
| | <u>-</u> | <u>301 868</u> |

The Municipality fully met the conditions in the prior years and the allocation was not transferred to revenue. During the year Council resolved on transferring the allocation to revenue.

EPWP Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 2 335 000 | 1 704 000 |
| Conditions met - transferred to revenue | (2 335 000) | (1 704 000) |
| | <u>-</u> | <u>-</u> |

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue.

Integrated National Electrification Grant

| | | |
|---|--------------|--------------|
| Balance unspent at beginning of year | - | 1 008 |
| Current-year receipts | 32 610 000 | 34 000 000 |
| Conditions met - transferred to revenue | (32 610 000) | (34 001 008) |
| | <u>-</u> | <u>-</u> |

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue.

DHLTA-Fraud Prevention Grant

| | | |
|---|-----------|----------------|
| Balance unspent at beginning of year | 160 280 | 160 280 |
| Conditions met - transferred to revenue | (160 280) | - |
| | <u>-</u> | <u>160 280</u> |

The Municipality fully met the spending conditions in the prior years and the whole allocation was not transferred to revenue. During the current year Council resolved on transferring this allocation to revenue.

LED Capacity Grant

| | | |
|---|-----------|----------------|
| Balance unspent at beginning of year | 120 920 | 120 920 |
| Conditions met - transferred to revenue | (120 920) | - |
| | <u>-</u> | <u>120 920</u> |

The Municipality fully met the spending conditions in the prior years and the allocation was not transferred to Revenue. During the current year Council resolved on transferring this to Revenue.

IEC Grant

| | | |
|---|-----------|----------------|
| Balance unspent at beginning of year | 263 124 | 263 124 |
| Conditions met - transferred to revenue | (263 124) | - |
| | <u>-</u> | <u>263 124</u> |

The Municipality fully met conditions in the prior years and the allocation was not transferred to revenue. During the year Council resolved on transferring this allocation to revenue.

RTMC Grant

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|----------|----------|
| 22. Government grants and subsidies (continued) | | |
| Transfers received in advance - prior year | 56 200 | - |
| Conditions met - transferred to revenue | (56 200) | - |
| | <u>-</u> | <u>-</u> |

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

Pilot Housing Trust

| | | |
|---|-----------|----------------|
| Balance unspent at beginning of year | 391 620 | 391 620 |
| Conditions met - transferred to revenue | (391 620) | - |
| | <u>-</u> | <u>391 620</u> |

The Municipality fully met the conditions in the prior years and the allocations was not transferred to revenue. During the year Council resolved on transferring the allocation to revenue.

Ext 2 Residence Grant

| | | |
|---|----------|---------------|
| Balance unspent at beginning of year | 33 802 | 33 802 |
| Conditions met - transferred to revenue | (33 802) | - |
| | <u>-</u> | <u>33 802</u> |

The Municipality fully met conditions in the prior years and the allocation was not transferred to revenue. During the year Council resolved on transferring this allocation to revenue.

Financial Management Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 2 215 000 | 2 145 000 |
| Conditions met - transferred to revenue | (2 215 000) | (2 145 000) |
| | <u>-</u> | <u>-</u> |

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue.

Municipal Infrastructure Grant

| | | |
|---|------------------|--------------|
| Balance unspent at beginning of year | - | 23 096 |
| Current-year receipts | 59 416 000 | 59 678 000 |
| Conditions met - transferred to revenue | (53 289 420) | (59 701 096) |
| | <u>6 126 580</u> | <u>-</u> |

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

GIS Grant - Alfred Nzo

| | | |
|--------------------------------------|---------|---------|
| Balance unspent at beginning of year | 100 000 | 100 000 |
|--------------------------------------|---------|---------|

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

Provincial Electrification Grant

| | | |
|---|---|--------------|
| Current-year receipts | - | 21 277 319 |
| Conditions met - transferred to revenue | - | (17 459 983) |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|------|-------------|
| 22. Government grants and subsidies (continued) | | |
| Other | - | (3 817 336) |
| | - | - |

Spending conditions were met and the amount spent but not yet transferred to the municipality has been disclosed as a receivable.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|-------------------|-------------------|
| 22. Government grants and subsidies (continued) | | |
| Waste Management Grant | | |
| Balance unspent at beginning of year | 11 610 | - |
| Current-year receipts | - | 500 000 |
| Conditions met - transferred to revenue | - | (488 390) |
| | 11 610 | 11 610 |
| Conditions still to be met - remain liabilities (see note 15). | | |
| Changes in level of government grants | | |
| Based on the allocations set out in the Division of Revenue Bill, (Bill No. 02 of 2018, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. | | |
| 23. Investment revenue | | |
| Interest revenue | | |
| Bank | 8 772 085 | 7 435 450 |
| Interest charged on trade and other receivables | 4 047 448 | 3 707 492 |
| | 12 819 533 | 11 142 942 |
| 24. Other income | | |
| Commissions received | 114 067 | 114 787 |
| Debt impairment recovered | - | 3 411 121 |
| Losses recovered | 284 365 | 153 797 |
| Movement in provision | - | 3 730 167 |
| Other income - (rollup) | 963 291 | 755 503 |
| | 1 361 723 | 8 165 375 |
| The amount included in other revenue arising from exchanges of goods or services are as follows: | | |
| Tender fees | 229 819 | 316 469 |
| Photocopy | - | 206 |
| Sundry income | 347 615 | 191 712 |
| Building Plans | 289 293 | 132 235 |
| Advertising income | 76 614 | 104 535 |
| Funeral fees | 10 564 | 10 347 |
| | 953 905 | 755 504 |
| 25. Rental of facilities and equipment | | |
| Hall hire | | |
| Leasehold fees | 2 139 541 | 629 966 |
| Hall hire | 84 022 | 25 976 |
| | 2 223 563 | 655 942 |
| 26. Agency services | | |
| Driver's Licenses | 1 270 965 | 1 150 355 |

Mbizana Local Municipality

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Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|-------------------|-------------------|
| 27. Fines, Penalties and Forfeits | | |
| Illegal Connections Fines | 155 866 | 97 702 |
| Pound Fees Fines | 78 218 | 70 873 |
| Municipal Traffic Fines | 803 800 | 1 477 440 |
| | 1 037 884 | 1 646 015 |
| 28. General expenses | | |
| Advertising | 1 058 866 | 932 489 |
| Auditors remuneration | 4 050 906 | 4 353 359 |
| Bank charges | 139 711 | 160 242 |
| Commission paid | 434 727 | 515 875 |
| Consumables | 3 638 939 | 3 482 272 |
| Fines and penalties | - | 29 011 |
| Gifts | 3 217 807 | 2 485 879 |
| Hire | 3 351 826 | 2 891 769 |
| Insurance | 799 076 | 1 551 779 |
| IT expenses | 2 095 450 | 2 033 795 |
| Magazines, books and periodicals | 680 835 | 328 893 |
| Motor vehicle expenses | 59 372 | 45 440 |
| Fuel and oil | 1 161 500 | 2 046 283 |
| Placement fees | 10 065 | - |
| Postage and courier | 855 | 443 |
| Printing and stationery | 449 726 | 429 103 |
| Protective clothing | 1 347 993 | 976 426 |
| Subscriptions and membership fees | 109 308 | 157 056 |
| Telephone and fax | 4 592 556 | 5 157 822 |
| Transport and freight | 201 000 | - |
| Training | 1 374 363 | 1 347 983 |
| Travel - local | 13 832 441 | 11 594 123 |
| Travel - overseas | 209 311 | 106 034 |
| Water and electricity | 36 618 | 48 490 |
| Free basic services | 3 426 617 | 3 798 536 |
| License fees | 239 170 | 176 295 |
| Ward committee fees | 5 155 278 | 4 767 243 |
| Other expenses | 3 058 002 | 2 222 319 |
| | 54 732 318 | 51 638 959 |
| 29. Gain or loss on disposal of assets and liabilities | | |
| Property, plant and equipment | 7 462 689 | 34 074 193 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|--------------------|-------------------|
| 30. Employee related costs | | |
| Basic | 66 121 141 | 59 163 637 |
| Bonus | 4 632 761 | 4 621 265 |
| Medical aid - company contributions | 4 427 135 | 3 465 390 |
| UIF | 442 484 | 396 891 |
| SDL | 997 014 | 909 821 |
| Provision for leave | 8 386 348 | - |
| Cellphone allowance | 398 922 | 398 392 |
| Pension fund contribution | 6 526 768 | 5 065 010 |
| Bargaining council contribution | 24 318 | 22 248 |
| Travel motor allowances | 7 296 465 | 6 563 268 |
| Long-service awards | 638 089 | 400 315 |
| Housing benefits and allowances | 3 328 017 | 3 014 299 |
| Other allowances | 1 446 870 | 111 211 |
| Overtime | 1 833 458 | 937 015 |
| Employee wellness | 837 062 | 719 652 |
| | 107 336 852 | 85 788 414 |
| Remuneration of Municipal Manager | | |
| Annual remuneration | 850 690 | 889 636 |
| Car Allowance | 349 375 | 335 319 |
| Other | 192 323 | 245 934 |
| | 1 392 388 | 1 470 889 |
| Remuneration of Chief Finance Officer | | |
| Annual remuneration | 683 621 | 725 869 |
| Car Allowance | 270 735 | 267 487 |
| Other | 198 960 | 258 880 |
| | 1 153 316 | 1 252 236 |
| Remuneration of Senior Manager: Corporate Services | | |
| Annual remuneration | 683 621 | 839 074 |
| Car Allowance | 194 312 | 159 912 |
| Other | 225 560 | 253 795 |
| | 1 103 493 | 1 252 781 |
| Remuneration of Senior Manager: Community Services | | |
| Annual remuneration | 683 621 | 789 901 |
| Car Allowance | 194 312 | 178 457 |
| Other | 205 228 | 248 840 |
| | 1 083 161 | 1 217 198 |
| Remuneration of Senior Manager: Engineering Services | | |
| Annual remuneration | 444 472 | 761 565 |
| Car Allowance | 161 832 | 181 519 |
| Other | 142 120 | 225 804 |
| | 748 424 | 1 168 888 |
| Remuneration of Senior Manager: Planning and Development Services | | |
| Annual remuneration | 683 621 | 712 069 |
| Car Allowance | 194 312 | 178 457 |
| Other | 262 247 | 248 840 |
| | 1 140 180 | 1 139 366 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|-------------------|-------------------|
| 31. Remuneration of councillors | | |
| Car Allowance | 5 120 634 | 4 933 003 |
| Cellphone Allowance | 2 739 688 | 2 752 800 |
| Annual remuneration | 14 339 044 | 13 812 408 |
| Public Office Allowance | 1 024 126 | 986 600 |
| | 23 223 492 | 22 484 811 |
| 32. Debt impairment | | |
| Movement-provision for bad debts | 4 266 040 | 1 456 031 |
| Bad debts written off | - | - |
| | 4 266 040 | 1 456 031 |
| 33. Depreciation and amortisation | | |
| Property, plant and equipment | 40 236 801 | 38 377 774 |
| Intangible assets | 445 205 | 593 113 |
| | 40 682 006 | 38 970 887 |
| 34. Finance costs | | |
| Current borrowings | - | 722 752 |
| Other interest paid | 65 518 | 111 594 |
| | 65 518 | 834 346 |
| 35. Auditors' remuneration | | |
| Fees | 4 050 906 | 4 353 359 |
| 36. Transfers and subsidies | | |
| Other subsidies | | |
| SMME Support | 702 066 | 738 095 |
| 37. Bulk purchases | | |
| Electricity - Eskom | 30 025 433 | 27 760 875 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|--------------------|--------------------|
| 38. Cash generated from operations | | |
| Surplus | 93 726 645 | 59 792 758 |
| Adjustments for: | | |
| Depreciation and amortisation | 40 682 006 | 38 970 887 |
| Gain or loss on sale of assets and liabilities | 7 462 689 | 34 074 193 |
| Fair value adjustments | (19 023 579) | (337 930) |
| Impairment deficit | 2 384 829 | - |
| Debt impairment | 4 266 040 | 1 456 031 |
| Movements in operating lease assets and accruals | (755 842) | 302 841 |
| Movements in provisions | 8 337 925 | (3 634 947) |
| Movement in accumulated surplus | 36 805 | (41 468) |
| Changes in working capital: | | |
| Inventories | (822 121) | 23 288 |
| Other receivables from exchange transactions | 276 687 | (550 215) |
| Consumer debtors | (8 990 694) | (4 428 102) |
| Receivables from non-exchange transactions | 7 997 913 | (1 514 336) |
| Prepayments | (4 793 029) | (7 826 602) |
| Payables from exchange transactions | (13 387 874) | 13 558 165 |
| VAT | 5 021 034 | (11 101 403) |
| Taxes and transfers payable (non exchange) | (56 200) | 56 200 |
| Unspent conditional grants and receipts | 5 302 966 | (151 311) |
| Consumer deposits | (80 325) | 150 744 |
| | 127 585 875 | 118 798 793 |

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| 39. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Infrastructure Assets | 6 978 999 | 47 034 634 |
| • Integrated electrification | 14 803 708 | 7 357 371 |
| • Community Assets | 95 539 663 | 123 260 534 |
| • Other Commitments | 22 441 676 | 33 291 188 |
| | 139 764 046 | 210 943 727 |
| Total capital commitments | | |
| Already contracted for but not provided for | 139 764 046 | 210 943 727 |
| Authorised operational expenditure | | |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 139 764 046 | 210 943 727 |
| This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc. | | |
| Operating leases - as lessee (expense) | | |
| Aloe Office Minimum lease payments due | | |
| - within one year | 710 311 | 789 293 |
| - in second to fifth year inclusive | 710 311 | 1 420 623 |
| | 1 420 622 | 2 209 916 |
| Operating leases - as lessor (income) | | |
| The municipality is leasing out certain property to Collins Property Investments. The lease agreement has a term of 20 years and rentals escalate by 8% every annum. No contingent rents are receivable. | | |
| Minimum lease payments receivable | | |
| -within one year | 396 501 | 367 131 |
| -in second to fifth year inclusive | 170 470 | 566 971 |
| | 566 971 | 934 102 |
| The municipality is leasing out certain property to Blue Raindrops Trading CC. The lease agreement has a term of 1 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable. | | |
| Minimum lease payment receivable | | |
| -within one year | 43 235 | 40 032 |
| -in second to fifth year inclusive | 30 426 | 73 661 |
| | 73 661 | 113 693 |
| The municipality is leasing out certain property to Africa Best 350. The lease agreement has a term of 10 years and rentals escalate by prime lending rate at each anniversary date. No contingent rents are receivable. | | |
| Minimum lease payments receivable | | |
| -within one year | 1 | - |
| Minimum lease payments receivable | | |

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| 39. Commitments (continued) | | |
| -within one year | 437 324 | 404 930 |
| -in second to fifth year inclusive | 388 413 | 825 737 |
| | 825 737 | 1 230 667 |

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| 40. Contingencies | | |
| Contingent liabilities | | |
| At year end the municipality had the following contingent liabilities | | |
| Cases against the municipality; | | |
| Case 3: TCN Architects vs Mbizana Local Municipality (case no. 3460/14) | | |
| TCN Architects had failed to pay plaintiff the sum of R368 838.37 in respect of account No.2. This claim was for professional fees for specific performance | - | 200 000 |
| Case 4: Ngalonkulu vs Mbizana Local Municipality (case no. 3131/14) | | |
| Mr Ngalonkulu lodged a claim for personal injuries, medical expenses & permanent disabilities sustained as a result of being electrocuted whilst on duty (employee of the municipality). | - | 200 000 |
| Case 5: Mfanafuthi Simon Thukwana vs Mbizana Local Municipality | | |
| Review application in respect of the dismissed councillors | - | 350 000 |
| Case 8: Lulama Ngxabi vs Mbizana Local Municipality | | |
| Interdict in respect of demolish shacks | - | 250 000 |
| Case 9: Nomonde Khwelemthini / Mbizana Local Municipality | | |
| There is a default judgement against the municipality | - | 500 000 |
| Case 10: Baleni & Others / Mbizana Local Municipality | | |
| Case number 4593 / 2016 Application against the municipality | - | 500 000 |
| Case 11: Sostaz Construction JV. / Mbizana Local Municipality | | |
| Case number 79/2018. Matter is a joint venture dispute | - | 200 000 |
| Case 14: Hlongwe vs Mbizana Local Municipality | | |
| Claim from Plaintiff for damages allegedly as a result of injuries sustained where the Plaintiff alleges he was shot by a former municipal official in the course & scope of employment. | 2 500 000 | 2 000 000 |
| Case 15: Treated Timber vs Mbizana Local Municipality | | |
| Proceedings instituted due to alleged non-payment of invoices issued to R495 485.84 as a result of a cession agreement | 600 000 | - |
| Case no 16: Thunzi & modikeng JV vs Mbizana Local Municipality | | |
| Proceedings instituted alleged no payments of invoices issued by them to the municipality. | 3 569 707 | - |
| Case 18: Vuyokazi Tobo vs Mbizana Local Municipality | | |
| Claim for payment of R2 500 000 iro damages for injuries allegedly caused as a result of being shot by a municipal employee | 2 500 000 | - |
| Case 19: CN Ntshebe NO vs Mbizana Local Municipality | | |
| Application to set aside the rezoning of ERF 126 Mbizana by removing the restriction of the use to residential purposes | 2 000 000 | - |
| | 11 169 707 | 4 200 000 |

Contingent assets

At year end the municipality had the following contingent assets

Cases lodged by the municipality;

| | | |
|---|----------------|----------------|
| Case 1: Gift Fynn / Mbizana Local Municipality | | |
| This is an unlawful extension building without the approval of the plan by the municipality | - | 400 000 |
| Case 3: Mbizana Local Municipality vs Mr Charles Charalombos t/a Bizana Cash and Carry | | |
| Unlawfull extension of building without the approval of the plans | 200 000 | 200 000 |
| | 200 000 | 600 000 |

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41. Related parties

| | |
|---------------------------|-------------------------------------|
| Relationships | Refer to key management information |
| Section 57 Managers | Ms TD Mafumbatha |
| Mayor | Mr S. Magini |
| Speaker | Mr M Mphetshwa |
| Chief Whip | 9 Members |
| Executive Council members | 49 Councillors |
| Ordinary Council members | |

Related party balances

| | | |
|--|---------|-----------|
| Loan accounts - Owing (to) by related parties | | |
| Councillors overpayment | 711 081 | 1 922 376 |

In the 2012/13 financial year, councillors were paid remuneration that was above gazetted limits.

The amounts were recorded as irregular expenditure and debtors were raised to account for the amounts owed.

Compensation to Accounting Officer and key management

| | | |
|--------------------------------------|------------|------------|
| Municipal Manager | 1 392 388 | 1 470 889 |
| Chief Financial Officer | 1 153 316 | 1 252 236 |
| Senior Manager: Corporate services | 1 103 493 | 1 252 781 |
| Senior Manager: Community Services | 1 083 161 | 1 217 198 |
| Senior Manager: Engineering Services | 748 424 | 1 168 888 |
| Senior Manager: Development Planning | 1 140 180 | 1 139 366 |
| Mayor | 859 471 | 882 585 |
| Speaker | 687 575 | 712 091 |
| Councillors | 21 593 160 | 20 890 135 |

Key management information

| Class | Description | Number |
|--------------------------------------|---------------------------|----------|
| Municipal manager | Accounting officer | 1 |
| Chief Financial Officer | Senior Manager | 1 |
| Senior Manager: Corporate Services | Senior Manager | 1 |
| Senior Manager: Development Planning | Senior Manager | 1 |
| Senior Manager: Engineering Services | Senior Manager | 1 |
| Senior Manager: Community Services | Senior Manager | 1 |
| Mayor | Councillor | 1 |
| Speaker | Councillor | 1 |
| Chief Whip | Councillor | 1 |
| Executive committee | Councillors | 9 |
| Councillors | Councillors | 49 |

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42. Prior Period Errors

The following adjustments were made to the prior year financial statements due to errors which became apparent in the current year and which pertain to the prior period financial statements.

Debtors impairment

In the current year it was discovered that debtors impairment expense was overstated by R5 021 951 due impairment factors and formulas which were calculating impairment on 0-30 days on outstanding debtors, whereas they were supposed to start on 60days based on the Debt Impairment Policy. The debt impairment was therefore decreased by R3 411 120.73 and Bad debt recovered increase. The bad debt impairment was decrease by R561 132 and receivables from non- exchange transation were increased.

The correction of this error resulted in a net movement of R1 049 697.

Operating lease asset

During the year it was discovered that the operating lease asset was overstated by R 59 185 due to underbilling of debtors for operating leases

The correction of this error resulted in a decrease in the lease asset of R 59 185 and a increase in the receivables from exchange transactions of R 59 185.

Cash and cash equivalents

In the current year it was discovered that bank was overstated by R 21 150 being for a payment which was done directly through the cashbook.

The correction of this transaction resulted in a decrease in cash and cash equivalents of R 21 150 and a decrease in accumulated surplus of R 21 150.

Interest received

In the current year it was discovered that there was an incorrect billing of R 80 601 which was erroneously billed on Municipal accounts.

The correction of this error resulted in a decrease of R 80 601 in interest income and a decrease of R 80 601 in receivables from exchange transactions.

Property rates

In the current year it was discovered that there was an incorrect billing of R 345 198 of municipal accounts.

The correction of this error resulted in a decrease of R 345 198 in property rates and a decrease of R 345 198 in receivables from exchange transactions.

Recoveries

In the current year it was discovered that debtors impairment expense was overstated by R5 021 951 due impairment factors and formulas which were calculating impairment on 0-30 days on outstanding debtors, whereas they were supposed to start on 60 days based on the debt Impairment policy. The debt impairment was therefore decreased by R3 411 120.73 and Bad debt recovered increase.

The correction of this error has resulted in an increase in recoveries of R3 411 120.73

Transfers and subsidies

In the prior year, an amount of R545 775 has been reclassified from general expenses to Transfers and subsidies.

Other receivables from exchange

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In the prior year, interest incurred of R82 827 from late or overdue accounts was transferred to receivables before the council resolved to write-off which overstated other receivables from exchange transactions and understated finance cost

The correction of the above issues resulted in a decrease of R82 827 on other receivables from exchange transactions.

Receivables from Exchange Transactions

During the year it was discovered that receivables from exchange transactions were understated by R 1 049 697, resulted from a decrease in bad debt impairment. Correction of this error increased receivables from exchange transaction by R 1049 697. There was a reversal of billing of R448 878.99 that was done on municipal accounts which resulted in a decrease in receivables from exchange transactions

During the year was discovered that the Receivables with credit balances were not reclassified to Trade Payables in 2017/18 of R600 818.01. The correction of this error resulted in an increase in Receivables from exchange transactions and increase in Payables. The net increase in Receivables from exchange resulted in R1 207 649 .

VAT Receivable

During the current year we discovered that there were interest incurred on late submissions that were not accounted for correctly, the VAT has been overstated by R54 043 and the Finance cost understated and General expenses.

The correction of errors resulted in an decrease to the VAT receivable of R 54 043.

Finance cost

During the year it was discovered that there were interests incurred on late submissions that were not accounted for in that period, the Finance cost has been understad by R24 959.56 and Vat Receivable overstated.

The correction of these errors resulted in an increase of R 24 959.56.

In the prior year interest incurred of R82 827 was transferred to other receivables from exchange which caused an understatement of finance cost and overstatement in other receivables from exchange. The correction of these errors resulted in an increase of R82 827. Net increase in finance cost is R107 786.

Accumulated Surplus/Loss

During the preparation of financial statements various journals were processed in order to correct prior year figures.

The cumulative effect of all the changes that have occurred resulted in a net decrease in the accumulated surplus by R1 636 569

Payables from exchange

During the year it was discovered that the opening balance of the retention was overstated by R 597 065. The correction of the error resulted in a decrease in payables from exchange and an increase in the accumulated surplus of R 597 065. During the year it was discovered that the Payables from exchange transactions were understaed by the amount of Receivables with credit balances that were not classified to Payables of R654 961.54. The correction of the error resulted in an increase in Payables from exchange transactions and increase in Receivables from exchange ans non exchange transactions of R654 961.54. This resulted in a net increase of R 57 897

Contracted Services

During the year there was a reclassification of general expenses to contracted services. The effect of the adustment resulted in an increase in contracted services and a drecrease in general expenses of R 3 438 773.

Current Liabilities:Provisions

During the year, it was discovered that provision for long service bonus was understated by R 22 143 as an employee had erroneously not been included in the provision.

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The effect of the above adjustment resulted in an increase in the provision and an increase in employee cost of R 22 143.

General Expenditure

During the year there was a reclassification of general expenses to contracted services. The effect of the adjustment resulted in an increase in contracted services and a decrease in general expenses of R 3 438 773. The reclassification of R548 475 was not done, which decreases the General expenses and increases the Transfers and Subsidies by R545 775

During the current year adjustments were made to general expenses as a result of Vat receivable reversal that resulted in an increase of General Expenditure line item. This resulted in a net movement of R3 958 464.35 in the General Expenditure line item.

Employee Related Costs

During the year it was discovered that there was an employee which was erroneously excluded from the provision for long service award.

The correction of this omission resulted in an increase in employee cost and an increase in the provision of R 22 143 for the prior year.

Depreciation

During the current year, it was discovered that vehicles purchased during the year were not assessed for residual values resulting in a decrease in depreciation of R 9 560 and access road that was not capitalised, the depreciation was not accounted for resulted in increase in depreciation of R5 617

The correction of these errors resulted in a decrease in depreciation for the prior year and increase in property plant and equipment of R 3 943

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Property, Plant and Equipment

During the year it was discovered that vehicles purchased during the year were not assessed for residual values resulting in an understatement of property plant and equipment of R 9 560 and access road that was not capitalised resulted in a decrease in depreciation and increase in PPE for the prior year by R3 751.

It was discovered that the WIP register was overstated by an amount of R4 318 541 of prepayment that was double accounted in 2014/15 financial year, correction resulted in decrease in WIP and increase in PPE. Work in Progress was overstated by R2 115 064 from a duplication of transaction, transaction the never existed and transaction that were incorrectly allocate to the project, resulted in decrease in WIP and increase in PPE. WIP was overstated by R2 926 780 which was R 196 370 from 1.6km overhead lines that was capitalised and the remainder of expenditure relates to 5MVA Backbone line. An overstatement of R379 170.08 on WIP which belonged to Madiba electrification as per supporting documentation which has since been completed and expensed. An overstatement of R167 760.72 an invalid transaction that never existed between the municipality and service provider and remainder went to 5 MVA Backbone lines. A decrease in WIP of R2 183 480 from the transaction that were allocated to 1.6km overhead lines and 5 MVA Backbone lines. An increase of R1 073 247.87 in WIP from Bizana Sportfield due to the opening balance on WIP that did not reconcile to the individual transaction. An increase of R1 049 312.25 in WIP from Sidanga AR due to the opening balance on WIP that did not reconcile to the individual transaction. The correction of an error resulted in a decrease in Property Plant and equipment and increase in accumulated surplus. One property has been identified during the year as Investment Property (added under ERF110), the PPE has been reduced and Investment Property revalued at Fair Value. Two properties were identified as being privately owned, which these property were disposed. During the assessment of assets, some roads were identified as fully depreciated and needed to be derecognised by the fully depreciated amount.

The correction of these errors resulted in a net decrease in Property, Plant and equipment for the prior year of R 5 144 721.

Receivables from Non- Exchange Transactions

During the current year it was discovered that receivables from non exchange transaction were understated by R 3 072 321.02 due to impairment factors and formulas which were calculating impairment on 0-30 days on outstanding debtors, whereas they were supposed to start on 60 days based on the Debt Impairment Policy. The correction of these decreased receivables from exchange transactions and increased debt impairment recovered. An increase of R561 132.12 on receivables was due to impairment factors and formulae, which decreased the receivables from exchange and increases bad debt.

During the current year it was discovered that the receivables with negative balances were not reclassified to the Payables from exchange of R54 143.53. Receivables from non- exchange transactions were understated. The correction of the error resulted in an increase in receivables from non-exchange transactions of R54 143.53 and increase in payables from exchange transactions. The net increase in receivables from non-exchange transaction resulted in R 1 207 649.

Loss on disposal of assets and liabilities

In the prior year, loss on disposal of assets of R58 279 due to property transfer to Investment Property and R36 065.86 due to properties that were transferred to private individuals. These errors resulted to net increase in loss on disposal of assets by R94 344.

43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

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|--|------|------------------------|---------------------|---------------|
| 43. Prior-year adjustments (continued) | | | | |
| 2018 | | | | |
| | Note | As previously reported | Correction of error | Restated |
| Operating lease asset | 7 | 940 098 | (59 185) | 880 913 |
| VAT Receivables | 12 | 27 222 037 | (54 043) | 27 167 994 |
| Property, plant and equipment | 4 | 611 260 745 | (5 144 721) | 606 116 024 |
| Receivables from non-exchange | 11 | 26 079 876 | 2 597 748 | 28 677 624 |
| Cash and cash equivalents | 14 | 94 549 091 | (21 150) | 94 527 941 |
| Provisions | 16 | (9 900 346) | (22 143) | (9 922 489) |
| Receivables from exchange transactions | 13 | 9 292 947 | 1 207 649 | 10 500 596 |
| Other receivables from exchange | 10 | 2 401 593 | (82 827) | 2 318 766 |
| Payables from exchange transactions | 17 | (39 092 685) | (57 897) | (39 150 582) |
| Accumulated surplus | | (738 627 729) | 1 636 569 | (737 991 160) |
| | | (15 874 373) | - | (16 874 373) |

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| 43. Prior-year adjustments (continued) | | | | | |
| Statement of financial performance | | | | | |
| 2018 | | | | | |
| | Note | As previously reported | Correction of error | Re-classification | Restated |
| Employee Related Cost | 30 | (85 766 271) | (22 143) | - | (85 788 414) |
| Debt impairment | 32 | (2 505 730) | 1 049 699 | - | (1 456 031) |
| Depreciation | 33 | (38 974 830) | 3 943 | - | (38 970 887) |
| Finance cost | 34 | (726 560) | (107 786) | - | (834 346) |
| Contracted services | 53 | (60 102 022) | - | (3 438 773) | (63 540 795) |
| General expenses | 28 | (55 597 122) | (29 084) | 3 987 248 | (52 187 433) |
| Property Rates | 20 | 19 942 068 | (345 198) | - | 19 596 870 |
| Interest received | 23 | 11 223 543 | (80 601) | - | 11 142 942 |
| Recoveries | | 3 883 964 | 3 411 121 | - | 7 295 085 |
| Transfers and subsidies | 36 | (189 620) | - | (548 475) | (738 095) |
| Loss on disposal of assets and liabilities | 29 | (33 979 849) | (94 344) | - | (34 074 193) |
| Deficit for the year | | (242 792 429) | 3 785 607 | - | (239 555 297) |

Cash flow statement

2018

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------------|------|------------------------|---------------------|---------------|
| Cash flow from operating activities | | 49 050 432 | (543 420) | 48 507 012 |
| Sale of goods and services | | 11 223 543 | (80 601) | 11 142 942 |
| Interest income | | (146 196 910) | 732 800 | (145 464 110) |
| Payment of suppliers | | (726 560) | (107 786) | (834 346) |
| Finance cost | | (108 251 081) | (22 144) | (108 273 225) |
| Employee cost | | (194 900 576) | (21 151) | (194 921 727) |

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas.

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44. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

| At 30 June 2019 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--------------------------|-------------------|-----------------------|-----------------------|----------------|
| Trade and other payables | 25 762 708 | - | - | - |
| Consumer deposits | 150 744 | 18 315 | 6 954 | 353 221 |
| | 25 913 452 | 18 315 | 6 954 | 353 221 |

| At 30 June 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--------------------------|-------------------|-----------------------|-----------------------|----------------|
| Trade and other payables | 39 150 582 | - | - | - |
| Consumer deposits | 150 744 | 18 315 | 6 954 | 433 546 |
| | 39 301 326 | 18 315 | 6 954 | 433 546 |

Liquidity risk is mainly concentrated on the trade and other payables balance. The municipality does not have any collateral and/or credit enhancements that aid in the mitigation of the liquidity risk.

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44. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The financial assets carried at amortized cost expose the municipality to credit risk. The value of the maximum exposure to credit risk are as follows for each class of financial assets at amortized cost

| | 2019 | 2018 |
|--|-------------|------------|
| Financial instrument | | |
| Cash and cash equivalents | 123 462 641 | 94 527 941 |
| Other receivables from exchange transactions | 2 042 079 | 2 318 766 |
| Receivables from non-exchange transactions | 20 679 711 | 28 677 624 |
| Receivables from exchange transactions | 15 225 251 | 10 500 596 |

45. Electricity Distribution Losses

Distribution losses in units for the period 2018 - 2019

| | | |
|-------------------------------|------------------|------------------|
| Unit purchase during the year | 24 575 933 | 24 130 303 |
| Unit sold during the year | (23 000 924) | (22 807 580) |
| | 1 575 009 | 1 322 723 |

Distribution losses in Rand for the period 2018 - 2019

| | | |
|------------------------------|--------------------|--------------------|
| Purchases | 32 204 261 | 27 983 957 |
| Prepaid consumer sold | (9 227 860) | (8 501 887) |
| Conventional consumer billed | (24 167 608) | (22 460 447) |
| | (1 191 207) | (2 978 377) |

46. Unauthorised expenditure

| | | |
|---|--------------------|--------------------|
| Opening balance as previously reported | 191 647 490 | 138 880 737 |
| Opening balance as restated | 191 647 490 | 138 880 737 |
| Add: Unauthorised expenditure- current year | - | 52 766 753 |
| Less: Amount written off - prior period | (191 647 490) | - |
| Closing balance | - | 191 647 490 |

There is no unauthorised expenditure incurred during the year.

All amounts written-off by council during the current year relate to expenditures incurred from 2011/12 mostly related to non-cash items.

Analysed as follows: non-cash

| | | |
|---|----------|-------------------|
| Depreciation and amortisation | - | 26 632 606 |
| Loss on disposal of property, plant and equipment | - | 24 868 519 |
| | - | 51 501 125 |

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| 46. Unauthorised expenditure (continued) | | |
| Analysed as follows: cash | | |
| Employee related costs | - | 401 628 |
| Legal fees | - | 864 000 |
| | - | 1 265 628 |
| Unauthorised expenditure: Budget overspending – per municipal department | | |
| Office of the municipal manager | - | 864 000 |
| Electricity | - | 24 868 519 |
| Community and social services | - | 401 628 |
| Infrastructure | - | 26 632 606 |
| | - | 52 766 753 |
| Disciplinary steps taken/criminal proceedings | | |
| There was no disciplinary steps taken against the municipality after investigations by a council committee. | | |
| 47. Fruitless and wasteful expenditure | | |
| Opening balance as previously reported | 4 224 066 | 8 110 325 |
| Opening balance as restated | 4 224 066 | 8 110 325 |
| Less: Amounts written off by council | (65 519) | (108 596) |
| Less: Amount written off - SARS for 2013/14 | - | (3 947 261) |
| Add: Fruitless expenditure for the year | 65 519 | 169 598 |
| Closing balance | 4 224 066 | 4 224 066 |

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47. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

| | Details of amounts identified during the year | |
|---|---|----------------|
| Interest on Telkom accounts | 52 515 | 9 898 |
| Interest on Eskom FBE account | 355 | 1 386 |
| Eskom holdings new account | 510 | - |
| Penalties for late submission - SARS | 12 113 | 24 959 |
| Interest on overdue account - Department of transport | 26 | 355 |
| Eskom holdings - Bulk purchases | - | 99 814 |
| Interest on overdue account - Munsoft | - | 781 |
| Erratum and re-advertisements - Tiso blackstar | - | 12 996 |
| Erratum and re-advertisements - Times media | - | 19 409 |
| | 65 519 | 169 598 |

Mbizana Local Municipality
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

47. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendations to write-off an amount of R 65 519 due to satisfactory reasons provided by the council committee after its investigations.

48. Irregular expenditure

Opening balance

Add: Irregular Expenditure - current year

Less: Written off by council for 2013/14

Less: Written off by Council

Less: Written off by council for 2013/14

Less: Written off by council for 2014/15

Closing balance

| | | |
|--|------------------|-------------------|
| | 1 060 620 | 10 438 208 |
| | - | 2 955 433 |
| | 1 060 620 | 13 393 641 |
| | - | (5 327 922) |
| | - | (4 126 339) |
| | - | (2 878 760) |
| | 1 060 620 | 1 060 620 |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|----------------|----------------|
| 49. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Opening balance | 191 | 191 |
| Current year subscription / fee | 683 690 | 534 028 |
| Amount paid - current year | (683 690) | (534 028) |
| | 191 | 191 |
| Audit fees | | |
| Opening balance | 11 317 | 100 855 |
| Current year subscription / fee | 4 039 589 | 4 252 504 |
| Amount paid - current year | (4 050 906) | (4 342 042) |
| | - | 11 317 |
| PAYE and UIF | | |
| Opening balance | 2 994 | 2 994 |
| Current year subscription / fee | 17 715 254 | 16 381 099 |
| Amount paid - current year | (17 715 254) | (16 381 099) |
| | 2 994 | 2 994 |
| Pension and Medical Aid Deductions | | |
| Opening balance | (8 262) | (8 262) |
| Current year subscription / fee | 10 752 236 | 8 790 343 |
| Amount paid - current year | (10 752 236) | (8 790 343) |
| | (8 262) | (8 262) |
| Skills Development Levy | | |
| Current year fees | 997 013 | 975 669 |
| Amount paid - current year | (997 013) | (975 669) |
| | - | - |
| VAT | | |
| VAT receivable | 22 146 960 | 27 167 994 |

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

| 30 June 2019 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|-------------------|--|--|------------|
| Cllr NN Mhlembana | 936 | 8 124 | 9 060 |

50. Events after the reporting date

There are no identified events during the year that would amount to events after reporting date that would have an impact on the annual financial statements.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

51. Fair value adjustments

| | | |
|--|------------|---------|
| Investment property (Fair value model) | 19 023 579 | 337 930 |
|--|------------|---------|

52. Impairment of assets

Impairments

| | | |
|---|-----------|---|
| Property, plant and equipment | 2 384 829 | - |
| During the year there were heavy rains experienced that resulted in infrastructure and assets and buildings damaged and therefore causing an impairment in their value. | 2 384 829 | - |
| | - | - |

The main classes of assets affected by impairment losses are:

Infrastructure assets

Buildingst

Additional text

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Heavy rains experienced during the year.

Material impairment losses recognised

Property, plant and equipment

| | | | |
|-------------------------------|--------------------|-----------|---|
| Impairment loss recognised | Reportable segment | | |
| Property plant and equipment | Infrastructure | 2 236 242 | - |
| Property, plant and equipment | Buildings | 148 586 | - |

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

53. Contracted services

| | | |
|--|-------------------|-------------------|
| Presented previously | | |
| Other Contractors | 1 134 264 | 1 814 739 |
| Outsourced Services | | |
| Business and Advisory | 6 864 180 | 4 407 122 |
| Catering Services | 171 730 | 207 900 |
| Cleaning Services | 186 000 | - |
| Clearing and Grass Cutting Services | 28 488 | 331 668 |
| Internal Auditors | 259 250 | 147 075 |
| Illegal Dumping | 192 140 | 95 000 |
| Personnel and Labour | 280 700 | - |
| Refuse Removal | 272 700 | 72 400 |
| Transport Services | 528 235 | 392 480 |
| Consultants and Professional Services | | |
| Business and Advisory | - | 67 000 |
| Legal Cost | 5 716 465 | 5 673 084 |
| Contractors | | |
| Catering Services | 4 574 086 | 4 676 202 |
| Electrical | 13 458 566 | 33 286 871 |
| Employee Wellness | - | 970 |
| Event Promoters | 1 291 687 | 1 002 643 |
| Maintenance of Buildings and Facilities | 1 700 422 | 2 631 653 |
| Maintenance of Equipment | 3 055 190 | 2 501 131 |
| Maintenance of Unspecified Assets | 3 820 424 | 937 642 |
| Plants, Flowers and Other Decorations | 19 800 | 12 900 |
| Safeguard and Security | 5 465 038 | 5 063 785 |
| Stage and Sound Crew | 57 580 | 218 530 |
| Presented previously | 1 134 264 | 1 814 739 |
| Outsourced Services | 8 783 423 | 5 653 645 |
| Consultants and Professional Services | 5 716 465 | 5 740 084 |
| Contractors | 33 442 793 | 50 332 327 |
| | 49 076 945 | 63 540 795 |

54. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 830 754 616 and that the municipality's total liabilities exceed its assets by R 830 754 616.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to source and explore more funding for the ongoing operations for the municipality.

55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

There were no deviations during the current year from normal procurement processes and the municipality's supply chain management policy.

Mbizana Local Municipality

**APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30-Jun-19**

| | Cost / Revaluation | | | | Accumulated Depreciation | | | | | | | Transfers | Other movements | Carrying Value |
|-------------------------------|--------------------|-------------|--------------|--------------------|--------------------------|-----------------|--------------|------------|---|-----------------|--------------|-----------|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | | |
| | | | | | | | | | | | R | | | |
| Land | 3 552 990 | - | - | - | 3 552 990 | - | - | - | - | - | - | - | - | 3 552 990 |
| Landfill Sites | 3 097 802 | - | - | - | 3 097 802 | (565 871) | (154 890) | - | - | (720 761) | - | - | - | 2 377 042 |
| Investment Property | 6 131 700 | 18 965 300 | - | - | 25 097 000 | - | - | - | - | - | - | - | - | 25 097 000 |
| | 12 782 492 | 18 965 300 | - | - | 31 747 792 | (565 871) | (154 890) | - | - | (720 761) | - | - | - | 31 027 032 |
| Buildings | 31 725 113 | - | - | - | 31 725 113 | (4 422 273) | (837 497) | - | (148 587) | (5 408 358) | - | - | - | 26 316 756 |
| Infrastructure | 3 242 860 | - | - | - | 3 242 860 | (623 237) | (163 085) | - | - | (786 322) | - | - | - | 2 456 539 |
| Waste Site | 552 685 322 | 27 545 462 | (19 436 858) | - | 560 793 926 | (182 048 777) | (31 410 986) | 12 382 796 | (2 236 242) | (203 313 208) | - | - | - | 357 480 718 |
| Roads | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sewerage Mains & Purification | 12 786 037 | 4 809 339 | - | - | 17 595 376 | (2 397 757) | (369 012) | - | - | (2 766 769) | - | - | - | 14 828 607 |
| Electricity Mains | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Electricity Peak Load Equip | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Water Mains & Purification | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reservoirs – Water | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Water Meters | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Storm Water | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Under construction | 80 468 278 | 64 774 606 | - | - | 145 242 884 | - | - | - | - | - | (15 456 585) | - | - | 129 786 299 |
| | 649 182 498 | 97 129 407 | (19 436 858) | - | 726 875 047 | (185 069 770) | (31 943 084) | 12 382 796 | (2 236 242) | (206 866 299) | (15 456 585) | - | - | 504 552 162 |
| Community Assets | 81 384 676 | - | (30 950) | - | 81 353 726 | (12 890 264) | (2 477 754) | 30 950 | - | (15 337 069) | - | - | - | 66 016 658 |
| Parks & Gardens | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Libraries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Recreation Grounds | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Civic Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stadiums | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Halls | 14 219 105 | - | - | - | 14 219 105 | (96 302) | - | - | - | (96 302) | - | - | - | 14 122 803 |
| Creche | - | 8 827 120 | - | - | 8 827 120 | - | - | - | - | - | - | - | - | 8 827 120 |
| Swimming Pools | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 95 603 781 | 8 827 120 | (30 950) | - | 104 399 951 | (12 986 566) | (2 477 754) | 30 950 | - | (15 433 371) | - | - | - | 88 966 580 |
| Heritage Assets | 1 230 799 | - | - | - | 1 230 799 | - | - | - | - | - | - | - | - | 1 230 799 |
| Historical Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Paintings & Artifacts | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 1 230 799 | - | - | - | 1 230 799 | - | - | - | - | - | - | - | - | 1 230 799 |
| Total carried forward | 790 524 684 | 124 921 826 | (19 467 808) | - | 895 978 702 | (203 044 480) | (35 413 225) | 12 413 746 | (2 384 829) | (228 428 788) | (15 456 585) | - | - | 652 093 329 |

Mbizana Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

30-Jun-19

| | Cost / Revaluation | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|------------------------------|--------------------|-------------|--------------|--------------------|--------------------------|-----------------|--------------|------------|---|-----------------|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R |
| Total brought forward | 790 524 684 | 124 921 826 | (19 467 808) | - | 895 978 702 | (203 044 480) | (35 413 225) | 12 413 746 | (2 384 829) | (228 428 788) | (15 456 585) | 652 093 329 |
| Other Assets | | | | | | | | | | | | |
| Office Equipment | 2 644 399 | 182 150 | (112 720) | - | 2 713 829 | (1 322 136) | (384 277) | (112 720) | - | (1 819 132) | - | 894 698 |
| Furniture & Fittings | 8 073 446 | 419 323 | (307 052) | - | 8 185 718 | (4 595 031) | (451 201) | 307 052 | - | (4 739 179) | 600 000 | 4 046 538 |
| Bins and Containers | 859 031 | - | (1 204) | - | 857 828 | (218 176) | (67 058) | (1 204) | - | (286 438) | - | 571 390 |
| Emergency Equipment | - | - | - | - | - | - | - | - | - | - | - | - |
| Motor vehicles | 12 054 491 | 2 686 309 | (533 421) | - | 14 207 379 | (2 600 642) | (1 438 623) | 103 007 | - | (3 936 258) | 9 957 | 13 281 078 |
| Fire engines | - | - | - | - | - | - | - | - | - | - | - | - |
| Machinery and Equipment | 16 725 195 | 3 933 095 | - | - | 20 658 290 | (4 890 362) | (2 365 206) | - | - | (7 255 568) | - | 13 402 722 |
| Computer Equipment | 4 199 542 | 2 546 067 | (590 913) | - | 6 154 695 | (2 405 442) | (1 013 020) | (575 831) | - | (3 994 293) | - | 2 160 402 |
| Computer Software | 2 230 573 | - | - | - | 2 230 573 | (1 456 340) | (445 205) | - | - | (1 901 546) | - | 329 027 |
| Other Assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance Lease Assets | | | | | | | | | | | | |
| Office Equipment | 46 786 678 | 9 766 944 | (1 545 310) | - | 55 008 311 | (17 488 128) | (6 164 590) | (279 696) | - | (23 932 414) | 609 957 | 31 685 855 |
| Other Assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 837 311 362 | 134 688 770 | (21 013 118) | - | 950 987 014 | (220 532 608) | (41 577 815) | 12 134 050 | (2 384 829) | (252 361 202) | (14 846 628) | 683 779 184 |

Mbizana Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

30-Jun-18

| | Cost / Revaluation | | | | Accumulated Depreciation | | | | | | | Other movements | Carrying Value |
|-------------------------------|--------------------|------------|-----------|--------------------|--------------------------|-----------------|--------------|-----------|---|-----------------|--------------|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | Transfers | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| R | R | R | R | R | R | R | R | R | R | R | R | R | |
| Land | 3 572 180 | - | - | - | 3 572 180 | - | - | - | - | - | - | - | 3 572 180 |
| Land | 3 097 802 | - | - | - | 3 097 802 | (460 151) | (163 085) | - | - | (623 237) | - | - | 2 474 566 |
| Investment Property | 5 793 770 | - | - | - | 5 793 770 | - | - | - | - | - | - | - | 5 793 770 |
| | 12 463 753 | | | | 12 463 753 | (460 151) | (163 085) | - | - | (623 237) | - | - | 11 840 516 |
| Buildings | 31 665 555 | - | - | - | 31 665 555 | 3 598 712 | 836 306 | - | - | 4 435 018 | - | - | 36 100 573 |
| Infrastructure | | | | | | | | | | | | | |
| Waste Site | 145 058 | - | - | - | 145 058 | (49 171) | (8 195) | - | - | (57 366) | - | - | 87 692 |
| Roads | 513 962 289 | - | - | - | 513 962 289 | (155 853 096) | (32 529 524) | - | - | (188 382 620) | - | - | 325 579 669 |
| Sewerage Mains & Purification | 12 786 037 | - | - | - | 12 786 037 | (2 028 579) | (369 178) | - | - | (2 397 757) | - | - | 10 388 281 |
| Electricity Mains | | | | | | | | | | | | | |
| Electricity Peak Load Equip | | | | | | | | | | | | | |
| Water Mains & Purification | | | | | | | | | | | | | |
| Reservoirs – Water | | | | | | | | | | | | | |
| Water Meters | | | | | | | | | | | | | |
| Storm Water | | | | | | | | | | | | | |
| Under construction | 115 358 362 | 33 519 670 | - | - | 148 878 032 | - | - | - | - | - | - | - | 88 042 329 |
| | 642 251 746 | 33 519 670 | - | - | 675 771 416 | (157 930 845) | (32 906 897) | - | - | (190 837 742) | (60 835 702) | - | 424 097 971 |
| Community Assets | | | | | | | | | | | | | |
| Parks & Gardens | 40 128 005 | - | - | - | 40 128 005 | (8 528 211) | 1 346 165 | - | - | (7 182 046) | - | - | 32 945 958 |
| Libraries | | | | | | | | | | | | | |
| Recreation Grounds | | | | | | | | | | | | | |
| Civic Buildings | | | | | | | | | | | | | |
| Stadiums | | | | | | | | | | | | | |
| Halls | 39 494 643 | - | - | - | 39 494 643 | (3 053 915) | (792 254) | - | - | (3 846 169) | - | - | 35 648 474 |
| Creche | | | | | | | | | | | | | |
| Swimming Pools | | | | | | | | | | | | | |
| Cemeteries | | | | | | | | | | | | | |
| | 79 622 647 | - | - | - | 79 622 647 | (11 582 125) | 553 910 | - | - | (11 028 215) | - | - | 68 594 432 |
| Heritage Assets | | | | | | | | | | | | | |
| Historical Buildings | 1 230 799 | - | - | - | 1 230 799 | - | - | - | - | - | - | - | 1 230 799 |
| Paintings & Artifacts | | | | | | | | | | | | | |
| | 1 230 799 | - | - | - | 1 230 799 | - | - | - | - | - | - | - | 1 230 799 |
| | 767 234 499 | 33 519 670 | - | - | 800 754 169 | (166 374 410) | (31 679 766) | - | - | (198 054 176) | (60 835 702) | - | 541 864 291 |
| Total carried forward | | | | | | | | | | | | | |

Mbizana Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

30-Jun-18

| | Cost / Revaluation | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|------------------------------|--------------------|------------|-------------|--------------------|--------------------------|-----------------|--------------|-----------|---|-----------------|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R |
| Total brought forward | 767 234 499 | 33 519 670 | - | - | 800 754 169 | (166 374 410) | (31 679 766) | - | - | (198 054 176) | (60 835 702) | 541 864 291 |
| Other Assets | | | | | | | | | | | | |
| Office Equipment | 12 738 590 | 2 204 092 | 83 323 | - | 15 026 005 | (6 627 681) | (2 391 467) | 52 605 | - | (8 966 542) | - | 6 059 463 |
| Furniture & Fittings | 634 542 | 29 800 | - | - | 664 342 | (175 742) | (47 510) | - | - | (223 252) | - | 441 090 |
| Bins and Containers | - | - | - | - | - | - | - | - | - | - | - | - |
| Emergency Equipment | 9 750 183 | 4 356 173 | (2 051 865) | - | 12 054 491 | (763 256) | (846 624) | 952 174 | - | (657 716) | - | 11 396 775 |
| Motor vehicles | - | - | - | - | - | - | - | - | - | - | - | - |
| Fire engines | - | - | - | - | - | - | - | - | - | - | - | - |
| Machinery and Equipment | 11 469 733 | 6 481 257 | (1 225 795) | - | 16 725 195 | (4 242 965) | 1 588 065 | (497 856) | - | (3 152 757) | - | 13 572 439 |
| Computer Equipment | 3 740 420 | 634 598 | 72 422 | - | 4 447 440 | (2 111 722) | (761 237) | (44 881) | - | (2 917 839) | - | 1 529 601 |
| Computer Software | 2 893 949 | - | (663 376) | - | 2 230 573 | (1 425 111) | (593 112) | 561 883 | - | (1 456 340) | - | 774 233 |
| Other Assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance Lease Assets | | | | | | | | | | | | |
| Office Equipment | 41 227 417 | 13 705 921 | (3 785 291) | - | 51 148 047 | (15 346 488) | (3 051 885) | 1 023 926 | - | (17 374 446) | - | 33 773 601 |
| Other Assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 808 461 917 | 47 225 591 | (3 785 291) | - | 851 902 216 | (181 720 897) | (34 731 651) | 1 023 926 | - | (215 428 622) | (60 835 702) | 575 637 892 |

APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2019

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MBIZANA LOCAL MUNICIPALITY

APPENDIX E (1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2019 AS AT 30 JUNE 2019

| Description | Final Budget R | Actual Amount R | Variance R | % Variance R | Explanation of significant variances greater than 10% versus budget R |
|--|-----------------------|-----------------------|-----------------------|-----------------|---|
| REVENUE | | | | | |
| Property rates | 23 570 591.00 | 18 966 664.67 | 4 603 926.33 | 19.53 | The municipality also rates for government properties in the rural areas. Most of these properties have not been surveyed and as such the government does not pay for them. |
| Service charges - refuse and electricity | | | | | |
| Fines | 39 441 434.00 | 35 684 754.00 | 3 756 680.00 | 9.52 | |
| | 2 030 819.00 | 1 037 884.64 | 992 934.36 | 48.89 | |
| Licences and permits | 2 293 855.00 | 2 256 590.00 | 37 265.00 | 1.62 | The municipality just increased its operations by also including the Driver's Testing Station. This has resulted in increased revenue on licenses and permits. |
| Government grants and subsidies | 328 372 614.00 | 322 420 999.00 | 5 951 615.00 | 1.81 | |
| Rental of facilities and equipments | 903 407.00 | 2 223 562.87 | -1 320 155.87 | -146.13 | The rental of facilities depends on the hiring of halls by individuals and the municipality can only hope that there is an increased demand. On the other hand the lease agreements have been smoothed and most of them are nearing their agreement term. |
| Recoveries | 3 258 211.00 | 2 632 688.00 | 625 523.00 | 19.20 | |
| Other income | 13 147 580.00 | 12 819 533.00 | 328 047.00 | 2.50 | |
| Interest income | | | | | |
| Total Revenue | 413 018 511.00 | 398 042 676.18 | 14 975 834.82 | 3.63 | |
| EXPENDITURE | | | | | |
| Personnel | 107 522 748.00 | 107 336 852.00 | 185 896.00 | 0.17 | |
| Remuneration of Councillors | 23 588 402.00 | 23 223 492.00 | 364 910.00 | 1.55 | |
| Depreciation and amortisation | 48 449 091.00 | 42 918 247.00 | 5 530 844.00 | 11.42 | Assets disposed leading to a decrease in depreciation |
| Bad debt impairment | 2 100 735.00 | 4 266 040.02 | -2 165 305.02 | -103.07 | |
| Contracted Services | 68 459 252.00 | 49 076 945.00 | 19 382 307.00 | 28.31 | There are items that are normally understood to be general expenses and repairs and maintenance but the implementation of mSCOA has moved most items into contracted services |
| Bulk Purchases | 33 594 401.00 | 30 025 432.52 | 3 568 968.48 | 10.62 | Savings as a result of reduction on electricity losses |
| Other Materials | 10 632 931.00 | 5 250 163.96 | 5 382 767.04 | 50.62 | Savings as a result of savings in materials used especially stationary |
| Interest and Penalties | 400 000.00 | 65 519.56 | 334 480.44 | 83.62 | Saving due to internal controls on incurring fruitless and wasteful expenditure |
| General expenses | 102 210 897.00 | 61 176 916.94 | 41 033 980.06 | 40.15 | |
| Total expenditure | 396 958 457.00 | 323 339 609.00 | 73 618 848.00 | | |
| Fair value loss/gain | | 19 023 578.54 | -19 023 578.54 | | |
| SURPLUS / (DEFICIT) FOR THE YEAR | 16 060 054.00 | 93 726 645.72 | -77 666 591.72 | | |

MBIZANA LOCAL MUNICIPALITY

APPENDIX E (2)

Budget Analysis of Capital Expenditure

AS AT 30 JUNE 2019

| Description | Final Budget | Additions | Variance | % Variance | Explanation of significant variances greater than 10% versus budget | |
|----------------------------------|-----------------------|----------------------|-----------------------|---------------|---|--|
| | R | R | R | R | R | |
| Executive & Council | - | - | - | - | | |
| Finance & Admin | 6 890 181.00 | 4 457 859.01 | -2 432 321.99 | -35.30 | | |
| Planning & Development | 34 508 965.00 | 14 486 979.00 | -20 021 986.00 | -58.02 | | |
| Health | | | | - | | |
| Community & Social Services | 40 000.00 | 25 500.00 | -14 500.00 | -36.25 | | |
| Housing | | | | - | | |
| Public Safety | 2 073 300.00 | 750 490.00 | -1 322 810.00 | - | | |
| Sport & Recreation | 31 390.00 | - | - | - | | |
| Environmental Protection | 106 500.00 | - | -106 500.00 | -100.00 | | |
| Waste Management | 31 952 558.00 | 31 478 556.72 | -474 001.28 | -1.48 | | |
| Road Transport | | | | | | |
| Water | | | | - | | |
| Electricity | 47 547 952.00 | 47 547 952.00 | - | - | | |
| Other | | | | - | | |
| Total | 123 150 846.00 | 98 747 336.73 | -24 372 119.27 | -19.79 | | |
| Other Charges | | | | | | |
| | - | - | - | - | | |
| Total Capital Expenditure | 123 150 846.00 | 98 747 336.73 | -24 372 119.27 | | | |

APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
for the year ended 30 June 2019

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (1)

Budgeted Financial Performance (revenue and expenditure by standard classification)

30-Jun-19

| Description | Original Budget | | Budget Adjustments (i.t.o. s28 & s31 Of The MFMA) | | Final Adjustments Budget | | Shifting of funds (i.t.o s31 of the MFMA) | | Virement (i.t.o. Council Approved By-law) | | Final Budget | | Actual Income | | Unauthorised Expenditure | | Variance | | Actual outcome As % Of Final Budget | | Actual Outcome As % Of Original Budget | |
|--------------------------------------|-----------------|-----------------|---|---|--------------------------|----------------|---|---|---|----|----------------|---|----------------|---|--------------------------|---|----------------|---|-------------------------------------|------|--|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | | | | | | | | | | | |
| | R | R | R | R | R | R | R | R | R | R | R | | | | | | | | | | | |
| REVENUE BY SOURCES | | | | | | | | | | | | | | | | | | | | | | |
| Governance and Administration: | | | | | | | | | | | | | | | | | | | | | | |
| Council | | | | | | | | | | | | | | | | | | | | | | |
| Mayor | | | | | | | | | | | | | | | | | | | | | | |
| Municipal Manager | | | | | | | | | | | | | | | | | | | | | | |
| Speaker | | | | | | | | | | | | | | | | | | | | | | |
| Finance and Admin | 270 060 063.00 | 391 620.00 | 391 620.00 | - | - | 271 940 057.00 | - | - | - | - | 271 940 057.00 | - | 541 972.11 | - | - | - | -150 352.11 | - | 0% | 0% | 0% | |
| Internal Audit | - | 1 879 994.00 | - | - | - | - | - | - | - | - | - | - | 287 455 067.74 | - | - | - | -15 515 010.74 | - | 0% | 0% | 0% | |
| | | | | | | | | | | | | | | | | | | | | | | |
| Community and Public safety: | | | | | | | | | | | | | | | | | | | | | | |
| Community Development | 697 910.00 | - | - | - | - | 697 910.00 | - | - | - | - | 697 910.00 | - | 134 586.35 | - | - | - | 563 323.65 | - | 0% | 0% | 0% | |
| Sport and Recreation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0% | 0% | 0% | |
| Public Safety | 186 305.00 | - | - | - | - | 186 305.00 | - | - | - | - | 186 305.00 | - | 133 375.23 | - | - | - | 52 929.77 | - | 0% | 0% | 0% | |
| Economic and Environmental Services: | | | | | | | | | | | | | | | | | | | | | | |
| Development and planning | 246 711.00 | 220 000.00 | - | - | - | 466 711.00 | - | - | - | - | 466 711.00 | - | 356 985.48 | - | - | - | 109 725.52 | - | 76% | 145% | 145% | |
| Roads Transport | 52 534 000.00 | 12 000 000.00 | - | - | - | 64 534 000.00 | - | - | - | - | 64 534 000.00 | - | 57 618 861.56 | - | - | - | 6 915 138.44 | - | 89% | 110% | 110% | |
| Environmental protection | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0% | 0% | 0% | |
| Trading Services: | | | | | | | | | | | | | | | | | | | | | | |
| Refuse removal | 4 739 811.00 | 2 000 000.00 | - | - | - | 6 739 811.00 | - | - | - | - | 6 739 811.00 | - | 6 789 484.57 | - | - | - | -49 673.57 | - | 101% | 143% | 143% | |
| Electricity | 60 482 097.00 | 7 580 000.00 | - | - | - | 68 062 097.00 | - | - | - | - | 68 062 097.00 | - | 64 035 918.64 | - | - | - | 4 026 178.36 | - | 94% | 106% | 106% | |
| | 388 946 897.00 | 24 071 614.00 | 413 018 511.00 | - | - | 413 018 511.00 | - | - | - | - | 413 018 511.00 | - | 417 066 251.68 | - | - | - | -4 047 740.68 | - | 101% | 107% | 107% | |
| EXPENDITURE | | | | | | | | | | | | | | | | | | | | | | |
| Governance and Administration: | | | | | | | | | | | | | | | | | | | | | | |
| Executive and Council | 64 471 424.00 | 914 956.00 | 63 556 468.00 | - | - | 63 556 468.00 | - | - | - | - | 63 556 468.00 | - | 56 859 922.88 | - | - | - | 6 696 545.12 | - | 89% | 88% | 88% | |
| Finance and Admin | 143 841 838.00 | 38 329 002.00 | 105 512 836.00 | - | - | 105 512 836.00 | - | - | - | - | 105 512 836.00 | - | 92 201 377.34 | - | - | - | 13 311 458.66 | - | 87% | 64% | 64% | |
| Internal Audit | 3 310 672.00 | 78 000.00 | 3 232 672.00 | - | - | 3 232 672.00 | - | - | - | - | 3 232 672.00 | - | 2 894 447.47 | - | - | - | 338 224.53 | - | 90% | 87% | 87% | |
| Community and Public safety: | | | | | | | | | | | | | | | | | | | | | | |
| Community Development | 12 695 149.00 | -3 787 608.76 | 8 907 540.24 | - | - | 8 907 540.24 | - | - | - | - | 8 907 540.24 | - | 6 824 882.23 | - | - | - | 2 082 658.01 | - | 77% | 54% | 54% | |
| Sport and Recreation | 731 819.00 | 6 995 737.46 | 7 727 556.46 | - | - | 7 727 556.46 | - | - | - | - | 7 727 556.46 | - | 7 727 556.46 | - | - | - | - | - | 100% | 105% | 105% | |
| Public Safety | 1 090 571.00 | 305 539.18 | 1 396 110.18 | - | - | 1 396 110.18 | - | - | - | - | 1 396 110.18 | - | 1 396 110.18 | - | - | - | - | - | 0% | 0% | 0% | |
| Housing | 1 036 984.00 | -106 500.00 | 930 484.00 | - | - | 930 484.00 | - | - | - | - | 930 484.00 | - | 116 050.62 | - | - | - | - | - | 0% | 0% | 0% | |
| Economic and Environmental Services: | | | | | | | | | | | | | | | | | | | | | | |
| Development and planning | 23 582 793.00 | 2 782 695.00 | 26 365 488.00 | - | - | 26 365 488.00 | - | - | - | - | 26 365 488.00 | - | 21 199 431.56 | - | - | - | 5 166 056.44 | - | 80% | 90% | 90% | |
| Roads Works and Engineering | 24 861 246.00 | 36 334 608.96 | 61 195 854.96 | - | - | 61 195 854.96 | - | - | - | - | 61 195 854.96 | - | 61 195 854.96 | - | - | - | - | - | 100% | 246% | 246% | |
| Environmental Protection | 1 951 616.00 | 1 918 844.80 | 3 870 460.80 | - | - | 3 870 460.80 | - | - | - | - | 3 870 460.80 | - | 3 870 460.80 | - | - | - | - | - | 0% | 0% | 0% | |
| Trading Services: | | | | | | | | | | | | | | | | | | | | | | |
| Refuse removal and cemetery | 16 282 719.00 | -1 137 035.64 | 15 145 683.36 | - | - | 15 145 683.36 | - | - | - | - | 15 145 683.36 | - | 14 634 554.30 | - | - | - | 511 129.06 | - | 97% | 90% | 90% | |
| Electricity | 47 092 400.00 | 48 812 789.00 | 95 905 189.00 | - | - | 95 905 189.00 | - | - | - | - | 95 905 189.00 | - | 51 482 607.28 | - | - | - | 44 422 581.72 | - | 54% | 109% | 109% | |
| Other | 3 020 989.00 | 191 125.00 | 3 212 114.00 | - | - | 3 212 114.00 | - | - | - | - | 3 212 114.00 | - | 2 936 344.52 | - | - | - | - | - | 0% | 0% | 0% | |
| | 343 970 220.00 | 131 632 153.00 | 396 958 457.00 | - | - | 396 958 457.00 | - | - | - | - | 396 958 457.00 | - | 323 339 600.60 | - | - | - | 72 528 653.54 | - | 81% | 94% | 94% | |
| | | | | | | | | | | | | | | | | | | | | | | |
| Surplus/deficit | 44 976 677.00 | -107 560 539.00 | 16 060 054.00 | - | - | 16 060 054.00 | - | - | - | - | 16 060 054.00 | - | 93 726 651.08 | - | - | - | 68 480 912.86 | - | | | | |

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (2)

Budgeted Financial Performance (revenue and expenditure by municipal vote)

AS AT 30 JUNE 2018

| Description | 1 Original Budget R | 2 Budget Adjustments (i.t.o. s28 & s31 Of The MFMA) R | 3 Final Adjustments Budget R | 4 Shifting of funds (i.t.o s31 of the MFMA) R | 5 Virement (i.t.o. Council Approved By- law) R | 6 Final Budget R | 7 Actual Income R | 8 Unauthorised Expenditure R | 9 Variance R | 10 Actual outcome As % Of Final Budget R | 11 Actual Outcome As % Of Original Budget R |
|----------------------------------|---------------------------|--|---------------------------------------|---|---|------------------------|-------------------------|---------------------------------------|-----------------------|--|---|
| REVENUE BY VOTE | | | | | | | | | | | |
| Mayor and Council | 269 978 256.00 | 391 620.00 | 391 620.00 | - | - | 391 620.00 | 541 972.11 | - | -150 352.11 | 0% | 0% |
| Municipal Manager | 118 673.00 | 1 879 994.00 | 271 858 250.00 | - | - | 271 858 250.00 | 287 166 809.81 | - | -15 308 559.81 | 138% | 0% |
| Budget and Treasury | 160 933.00 | - | 118 673.00 | - | - | 118 673.00 | 288 261.79 | - | -169 588.79 | 106% | 0% |
| Corporate Services | 10 658 969.00 | 220 000.00 | 380 933.00 | - | - | 380 933.00 | 370 969.00 | - | 9 964.00 | 243% | 0% |
| Development and planning | 47 547 969.00 | 2 000 000.00 | 12 658 969.00 | - | - | 12 658 969.00 | 11 331 730.55 | - | 1 327 238.45 | 97% | 231% |
| Community and Social service | 60 482 097.00 | 12 000 000.00 | 59 547 969.00 | - | - | 59 547 969.00 | 53 330 593.10 | - | 6 217 375.90 | 90% | 106% |
| Infrastructure and Planning | | 7 580 000.00 | 68 062 097.00 | - | - | 68 062 097.00 | 64 035 918.64 | - | 4 026 178.36 | 90% | 112% |
| Electricity | | | | - | - | | | - | | 94% | 106% |
| Total Revenue by vote | 388 946 897.00 | 24 071 614.00 | 413 018 511.00 | | | 413 018 511.00 | 417 066 255.00 | - | -4 047 744.00 | 101% | 107% |
| EXPENDITURE by vote | | | | | | | | | | | |
| Mayor and Council | 45 656 673.00 | -1 058 177.00 | 44 598 496.00 | - | - | 44 598 496.00 | 40 394 906.81 | - | 4 203 589.19 | 91% | 88% |
| Municipal Manager | 35 561 360.00 | 532 325.00 | 36 093 685.00 | - | - | 36 093 685.00 | 34 848 679.52 | - | 1 245 005.48 | 97% | 98% |
| Budget and Treasury | 75 087 120.00 | -48 288 415.00 | 26 798 705.00 | - | - | 26 798 705.00 | 25 668 140.09 | - | 1 130 564.91 | 95% | 34% |
| Corporate Services | 47 144 230.00 | 8 933 428.00 | 56 077 658.00 | - | - | 56 077 658.00 | 44 182 749.78 | - | 11 894 908.22 | 73% | 94% |
| Development and planning | 21 066 921.00 | 2 335 283.35 | 23 402 204.35 | - | - | 23 402 204.35 | 17 548 291.39 | - | 5 853 912.96 | 75% | 83% |
| Community and Social Services | 53 512 853.00 | 5 015 875.00 | 58 528 728.00 | - | - | 58 528 728.00 | 54 807 638.77 | - | 3 721 089.23 | 94% | 102% |
| Infrastructure and Planning | 18 898 663.00 | 36 655 129.00 | 55 553 792.00 | - | - | 55 553 792.00 | 54 406 595.36 | - | 1 147 196.64 | 93% | 288% |
| Electricity | 47 042 400.00 | 48 862 789.00 | 95 905 189.00 | - | - | 95 905 189.00 | 51 482 607.28 | - | 44 422 581.72 | 54% | 109% |
| Total Expenditure by vote | 343 970 220.00 | 52 988 237.35 | 396 958 457.35 | | | 396 958 457.35 | 323 339 609.00 | - | 73 618 848.35 | 81% | 94% |
| Surplus/deficit | 44 976 677.00 | -28 916 623.35 | 16 060 053.65 | - | - | 16 060 053.65 | 93 726 646.00 | - | -77 666 592.35 | | |